



ERP NEEDS ASSESSMENT REPORT



Enterprise Resource Planning Acquisition and Project Oversight

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I. PURPOSE

On March 1, 2005, the City of Little Rock (City) issued a Request for Proposal (RFP) to acquire consulting services to assist in preliminary planning, needs assessment and requirements definition, development of an RFP for an enterprise resource planning (ERP) system and associated implementation services, software/implementation services evaluation and selection, contract negotiations, and independent project oversight for the project's duration. Our company, Schafer Consulting, was the selected consulting firm to perform the above mentioned tasks for the City.

In accordance to our proposal to the City, we are submitting our first deliverable, the "Needs Assessment Report", after completion of our review of the City's existing systems, including their processes, users, reports, and controls. In this report, we will be providing an objective analysis of the systems' strengths and weakness, and where applicable, identifying inefficient practices and methods to streamline business processes.

Our ultimate goal is to assist the City to look ahead to an integrated ERP system that will meet the goals and objectives of the organization. To accomplish the needs assessment, we have performed the following:

- Gathered and reviewed available relevant documentation.
- Confirmed our understanding of the City's current processes by conducting group and individual interviews with subject matter experts (SME's) and other key team members of the project regarding processes, responsibilities, and controls.
- Defined the current systems' constraints and analyzed them against the constraints gathered by the internal staff.
- Observed (on a limited basis) the processes and activities of the Finance Department.
- Identified high level work flows that describe the interdependencies of the City's various business processes and how each process integrates with other in relation to common data and functional attributes.
- Identified improvements to existing procedures and business processes.

Information gathered from the needs assessment will be referenced in a RFP that will be made public in order to solicit responses from competent ERP software vendors. The content of the RFP will provide sufficient background information in order to allow vendors to properly address the requirements of the City in their responses. Once the selection process is completed, the City and Schafer Consulting will work jointly with the ERP vendor to re-engineer business processes and map out a step-by-step implementation plan that complements the functionalities of the selected system.

A. PROJECT TEAM MEMBERS

For each functional area, the City has elected SME's and project oversight personnel. In addition, each area is being supported by members of Finance, Information Technology and Schafer Consulting.

Team Lead – Sara Lenehan

ACCOUNTING & CHART OF ACCOUNTS			
Department	Subject Matter Experts	Oversight	Advisors & Support
City Manager	Susan Langley		
Courts	Lisa Tatum		
Fire		Sharon Forrester	
Police	Gay Spencer	Don Wells	
Parks	Keith King		
Housing	Joan Bohannon	Ward Hanna	
Comm. Programs	Barbara Osborne		
Public Works		Jessie Trigleth	
Zoo		Carroll Hargrove	
Fleet	Glenda Massie	Darryl Syler	
Finance			Shelia Garrett
Finance			Helen Johnson
IT			Lisa Cruse
IT			Linda Walker
IT			Jeff Ralston
Schafer Consulting			Iris McGee

Team Lead – LaVerne Duvall

BUDGET			
Department	Subject Matter Experts	Oversight	Advisors & Support
City Manager	Susan Langley		
Fire	Sharon Forrester		
Police	Marilyn Clark	Gay Spencer	
Parks	Richelene Harris		
HR		Stacey Witherell	
Planning		Tony Bozynski	
Housing		Ward Hanna	
Comm. Programs	W. J. Monagle		
Public Works	Tammy Fimpel	Bill Henry	
Zoo	Bobbie Forbush	Carroll Hargrove	
Fleet	Glenda Massie	Darryl Syler	
Finance			Silas Roaf
Finance			Beth Wood
IT			Lisa Cruse
IT			Linda Walker
IT			Jeff Ralston
Schafer Consulting			Iris McGee

Team Lead – Sara Lenehan

FINANCIAL REPORTING			
Department	Subject Matter Experts	Oversight	Advisors & Support
City Manager	Susan Langley		
Courts	Lisa Tatum		
Fire	Sharon Forrester		
Police		Don Wells	
Parks		Rick Warfield	
Housing	Edna Wade	Ward Hanna	
Comm. Programs	W. J. Monagle		
Public Works	Tammy Fimpel	Jessie Tringleth	
Zoo	Bobbie Forbush		
Fleet		Darryl Syler	
Finance			Helen Johnson
Finance			LaVerne DuVall
Finance			Silas Roaf
IT			Lisa Cruse
IT			Linda Walker
IT			Jeff Ralston
Schafer Consulting			Iris McGee

Team Lead – Jerry Paul

PURCHASING			
Department	Subject Matter Experts	Oversight	Advisors & Support
City Manager	Susan Langley		
Fire	Sharon Forrester		
Police	Marilyn Clark	Gay Spencer	
Parks	Kathy Lindsey		
Planning		Tony Bozynski	
Housing	Norma Meyers		
Comm. Programs	Barbara Osborne		
Public Works		Jessie Trigleth	
Zoo	Bobbie Forbush		
Fleet		Darryl Syler	
Finance			Alice Holeman
Finance			Louise Drayton
IT			Linda Walker
IT			Jeff Ralston
Schafer Consulting			Jaleh Parsa

Team Lead – Alan Bohannon

ACCOUNTS PAYABLE			
Department	Subject Matter Experts	Oversight	Advisors & Support
City Manager	Susan Langley		
Courts	Lisa Tatum		
Fire		Sharon Forrester	
Police	Marilyn Clark	Gay Spencer	
Parks	Kathy Lindsey		
HR		Kelly Penn	
Planning	Venita Young		
Housing		Ward Hanna	
Comm. Programs	Barbara Osborne		
Public Works	Sue Hulsey		
Public Works	Linda Lanier		
Zoo		Carroll Hargrove	
Fleet	Glenda Massie		
Finance			Lynn Umholtz
Finance			Sara Lenehan
IT			Linda Walker
IT			Jeff Ralston
Schafer Consulting			Jaleh Parsa

Team Lead – Alan Bohannon & Claudine Forte

GRANTS & SPECIAL PROJECTS			
Department	Subject Matter Experts	Oversight	Advisors & Support
Fire		Matt Burks	
Police	Marilyn Clark	Gay Spencer	
Parks	Kathy Lindsey		
HR	Stacey Witherell		
Planning		Brian Minyard	
Housing	Aaron Theodore	Lisa Spigner	
Housing	Joan Bohannon		
Comm. Programs	W. J. Monagle		
Public Works	Suzette Ward	Mike Hood	
Public Works	Linda Lanier		
Zoo	Bobbie Forbush	Carroll Hargrove	
Fleet		Darryl Syler	
Finance			Shelia Garrett
IT			Lisa Cruse
IT			Peggy Harstvedt
IT			Linda Walker
IT			Jeff Ralston
Schafer Consulting			Nancy Schafer

Team Lead – Sara Lenehan

ASSET MANAGEMENT			
Department	Subject Matter Experts	Oversight	Advisors & Support
Fire	David Rickett	Jim Williams	
Police	Marilyn Clark	Don Wells	
Parks		Steve Moore	
Housing	Edna Wade		
Comm. Programs	W. J. Monagle		
Public Works	Brenda Hogan	Bill Henry	
Public Works		Jessie Tringleth	
Zoo	Bobbie Forbush		
Fleet	Glenda Massie	Darryl Syler	
Finance			Donna Facen
Finance			Shelia Garret
IT			Lisa Cruse
IT			Linda Walker
IT			Jeff Ralston
Schafer Consulting			Iris McGee

Team Lead – Scott Massanelli

BILLINGS & ACCOUNTS RECEIVABLE			
Department	Subject Matter Experts	Oversight	Advisors & Support
Courts	Lisa Tatum		
Fire		Sharon Forrester	
Police	Marilyn Clark	Don Wells	
Parks	Kathy Lindsey	Charles Humphrey	
Planning	Venita Young		
Housing	Floretta Bradford		
Public Works	Gwen Hyde		
Zoo		Carroll Hargrove	
Fleet	Glenda Massie	Darryl Syler	
Finance			David Zuber
Finance			Gloria Markus
Finance			Sara Lenehan
IT			Lisa Cruse
IT			Linda Walker
IT			Jeff Ralston
Schafer Consulting			Jaleh Parsa

Team Lead – Beth Wood

PAYROLL & TIME REPORTING			
Department	Subject Matter Experts	Oversight	Advisors & Support
Courts	Tom Johnston		
Fire	Ramona Hatley	Jim Williams	
Police	Judy Lewis	Gay Spencer	
Parks	Terica Richardson		
Planning		Tony Bozynski	
Housing		Ward Hanna	
Comm. Programs	Barbara Osborne		
Public Works	Sue Hulsey		
Zoo	Bobbie Forbush		
Fleet		Darryl Syler	
Finance			Linda Baer
Finance			Debbie Helvey
Finance			Sara Lenehan
IT			Lisa Cruse
IT			Jeff Ralston
HR			Gloria Smith
HR			Rhonda Crabb
HR			Jim Bradshaw
Schafer Consulting			Brenda Haskell

Team Lead – Beth Wood

EMPLOYEE LEAVE ACCOUNTING			
Department	Subject Matter Experts	Oversight	Advisors & Support
Fire	Ramona Hatley	Jim Williams	
Police	Judy Lewis	Gay Spencer	
Parks	Terica Richardson	Richelene Harris	
Planning		Tony Bozynski	
Public Works	Brenda Hogan		
Zoo	Bobbie Forbush		
Fleet	Glenda Massie		
Finance			Linda Baer
Finance			Sara Lenehan
IT			Lisa Cruse
IT			Jeff Ralston
HR			Gloria Smith
HR			Rhonda Crabb
Schafer Consulting			Brenda Haskell

Team Lead – Stacey Witherell

PERSONNEL MANAGEMENT			
Department	Subject Matter Experts	Oversight	Advisors & Support
City Manager	Susan Langely		
Fire		Jim Williams	
Police	Jim Foster	Don Wells	
Parks		Terica Richardson	
Housing		Ward Hanna	
Public Works	Sue Hulsey		
Zoo		Carroll Hargrove	
Fleet		Darryl Syler	
Finance			Sara Lenehan
Finance			Scott Massanelli
IT			Lisa Cruse
IT			Jeff Ralston
IT			Linda Walker
Schafer Consulting			Brenda Haskell

Team Lead – Rhonda Crabb

POSITION CONTROL			
Department	Subject Matter Experts	Oversight	Advisors & Support
City Manager	Susan Langley		
Fire		Jim Williams	
Police	Gay Spencer	Don Wells	
Parks	Richelene Harris		
Housing		Ward Hanna	
Fleet		Darryl Syler	
Finance			LaVerne DuVall
Finance			Silas Roaf
HR			Gloria Smith
HR			Kathleen Walker
IT			Lisa Cruse
IT			Jeff Ralston
IT			Linda Walker
Schafer Consulting			Brenda Haskell

Team Lead – Curt Dawson

TRAINING & EMPLOYEE DEVELOPMENT			
Department	Subject Matter Experts	Oversight	Advisors & Support
City Manager	Susan Langley		
Fire	JT Cantrell		
Police	Keith Nicholas	Marty Garrison	
Parks		Cindy Corey	
Planning	Tony Bozynski		
Housing		Ward Hanna	
Public Works	Kenny Wilcox		
Fleet	Glenda Massie	Darryl Syler	
Finance			Sara Lenehan
HR			Stacey Witherell
IT			Lisa Cruse
IT			Jeff Ralston
IT			Linda Walker
Schafer Consulting			Brenda Haskell

Team Lead – Curt Dawson

APPLICANT TRACKING & RECRUITMENT			
Department	Subject Matter Experts	Oversight	Advisors & Support
City Manager	Susan Langley		
Fire		Antar Baaree	
Police	Allison Walton	Odistene Fuller	
Parks	Terica Richardson		
Housing	Ward Hanna		
Public Works			
Zoo		Carroll Hargrove	
Fleet		Darryl Syler	
Finance			Sara Lenehan
HR			Ellen Hughes
HR			Modena Jardina
HR			Kathleen Walker
HR			Stacey Witherell
IT			Lisa Cruse
IT			Jeff Ralston
IT			John Sutton
Schafer Consulting			Brenda Haskell

Team Lead – Jim Bradshaw

BENEFITS ADMINISTRATION			
Department	Subject Matter Experts	Oversight	Advisors & Support
City Manager	Susan Langley		
Fire	Mildred Ragsdill	Jim Williams	
Police	Gay Spencer	Don Wells	
Parks		Eddie Cole	
Planning	Venita Young		
Housing		Ward Hanna	
Public Works	Sue Hulsey		
Fleet		Darryl Syler	
Finance			Sara Lenehan
Finance			Linda Baer
Finance			Beth Wood
Finance			LaVerne DuVall
HR			Janel Miller
HR			Stacey Witherell
HR			Angela McKenney
IT			Lisa Cruse
IT			Jeff Ralston
IT			Linda Walker
Schafer Consulting			Brenda Haskell

B. BACKGROUND INFORMATION

SOFTWARE

The City's current computer software consists of American Management Systems' (AMS) Advantage Financial and in-house systems for Payroll, Budget, and Treasury Management.

The Finance System was implemented in 1988. The system has Accounting, extended Purchasing, and Fixed Assets modules. It is a table based batch system that processes an average of 1,500 transactions per night. Under the AMS application, the City is currently using the character-based screen.

The Payroll System was implemented in 1995. This system was written in-house using COBOL and DB2. It is primarily used for on-line processing. Bi-weekly payroll is run in batch mode, producing an average of 2,000 checks and electronic funds transfers. Transactions produced by this system are then loaded into the Financial System.

The Budget System is written in COBOL and was implemented in 2000. Currently, data is transferred from the Payroll and Finance systems to complete the budgets for 150 departments in 13 funds. For the most part, the Budget System is on-line, with some batch processing.

The Treasury Management System was also written in COBOL and was implemented in 1998. This system maintains business licenses and cash receipts for the City with over 9,300 active businesses in its database. Cash receipts are batched and loaded into the Finance System each night.

Many business functions are currently handled with manual processes. In many instances where data must be communicated and utilized by more than one department, redundant entry is necessary. For example, cash receipts are first captured in many host systems such as Court, Fleet Management, and Permit, and then manually entered into the Financial System.

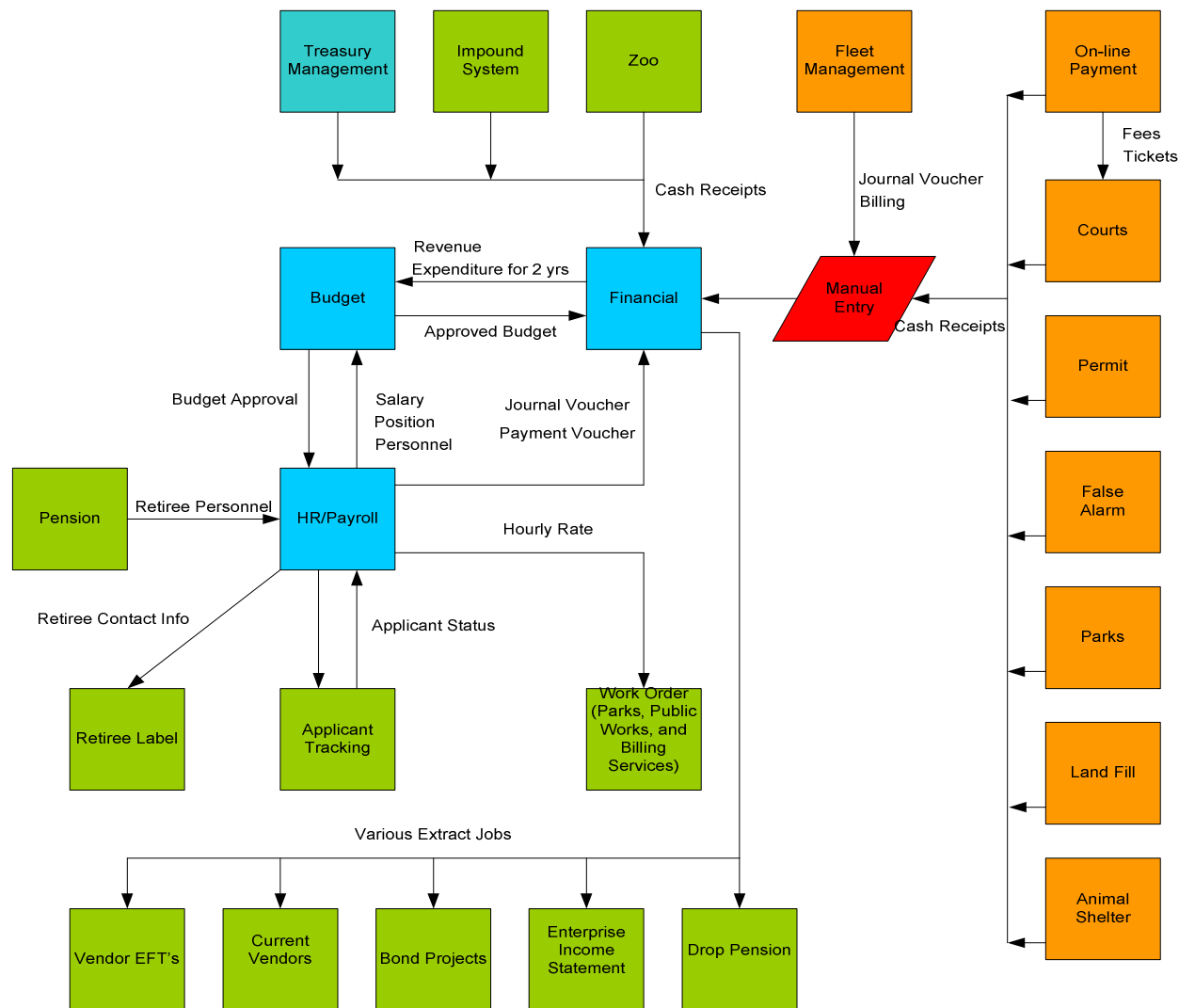
Please see the recap below:

Application	Language	Platform	Yr Installed
Financial	AMS	IBM Mainframe System 390	1988
Payroll	COBOL/DB2	IBM Mainframe System 390	1995
Budget	COBOL/DB2	IBM Mainframe System 390	2000
Treasury Management	COBOL/DB2	IBM Mainframe System 390	1998

Figure 1 current state core systems summary

All of the in-house systems use the chart of accounts from the Finance System. These are maintained in a DB2 data warehouse. The City also utilizes RocketShuttle software for custom data queries against the data warehouse.

In addition to the core systems identified above, the City also utilizes other systems to carry out its workload. Below is the current state application interface diagram that illustrates the various system interfaces (either electronically or manually) among the core business systems:



Legend

- Core Business Systems
- Applications with Electronic Interface
- Applications without Electronic Interface

Figure 2 Current State Interface Diagram

HARDWARE

The City has acquired hardware from many viable, mainstream vendor product lines in order to position itself in a non-proprietary, widely supported and manageable information technology environment. These standards provide a framework within which the majority of computing needs can be met with the best possible mix of equipment, software, and support, given the existing resources.

The City has established well-defined data and voice communication infrastructures. The Network Division provides voice telephone services to most City offices through a dedicated PBX system. Currently, data and voice are carried on separate infrastructures. The data communication infrastructure (hereinafter referred to as the network) consists of one hundred (100) networks servicing approximately seventy five (75) locations throughout the City. Most of the City's mission critical mainframe and servers are located at the main campus, also known as the Data Center at 718 West Markham.

In addition, there is server, desktop, LAN/WAN, and telecommunication equipment located at other satellite locations. At its heart, the City's computing and telecommunication network is comprised of the following:

- 50 Intel-based servers running Microsoft Windows Servers ranging from NT 4.0 Server to Microsoft Windows 2003 Server.
- 1,000+ Intel-based workstations running Microsoft Windows Operating Systems ranging from NT Workstation 4.0 to Windows XP.
- 1 IBM Mainframe System Model Z800.
- 6 Linux servers running as virtual machines on IBM Mainframe (4 SUSE Linux and 2 Debian Linux).
- 1 Intel-based Linux server running SUSE Enterprise Server 9.
- The main campus, which provides connectivity to all end-users in all locations is connected by Annexes via fiber, and connected to satellite locations via T1, 100 Mbps Ethernet, and 9 Mbps radio wave transmissions.
- 3 Mbps trunk Private DSL network with 384K and 33.6K dial-up access.
- Cisco and IBM Routers and Cisco Switches.
- TCP/IP Protocol.
- 30 VLANs.

For more detailed information, please refer to the Server and Workstation Inventory chart in Appendix A and the Router and Switch Models chart in Appendix B.

The City's most important hardware elements include the database platforms, operating system platforms, servers, desktops, notebook computers, and core network infrastructure. Together, these elements form the foundation of the City's computing infrastructure upon which the majority of City's business systems are set-up and deployed. The strategy to maintain this foundation represents a balanced approach that allows for flexibility and variation in IT solutions while allowing the City to maintain a manageable set of core technologies and the skills required to support them. It would be highly desirable for the ERP System to be compatible with the City's IT standards.

CITY'S IT STANDARDS	
Relational Database Software	Microsoft SQL Server
Server Operation Systems	Microsoft Windows 2000 Server or Higher
Server-Class Computer	Gateway
Desktop, Workstation, Notebook Operation Systems	Microsoft Windows 2000, XP
Desktop / Notebook Computer	Gateway
Network Infrastructure Hardware	Cisco
Network Printer	HP LaserJet 4050, Cannon IR500i, Minolta Di3510
Server Backup software	IBM Tivoli Storage Manager
Office Applications	Office 2000, XP, 2003
Email / Groupware Server	Microsoft Exchange Server 2000, will upgrade to Microsoft Exchange Server 2003 in Aug, 2005
Email Client Software	Outlook 2000, XP, 2003
Web Browser	Microsoft Internet Explorer
PDF reader	Adobe Reader
Application Development Architecture	Multi-Tier Client/Server and Web Developments
Application Development Tools, Programming Language for new information application	Microsoft.Net
Network Protocols	TCP/IP
Networking Monitoring	Cisco Works
Help Desk System	Developed in house

Note: The policy for changing user passwords is 30 days.

IT ENVIRONMENT

The City's IT Department consists of four Divisions: Application Programming, Networking, Administration and Computer Operations. These Divisions are staffed by twenty two members, which support the computing needs of the City's 2,500+ employees, who in turn deliver services to the citizens of Little Rock.

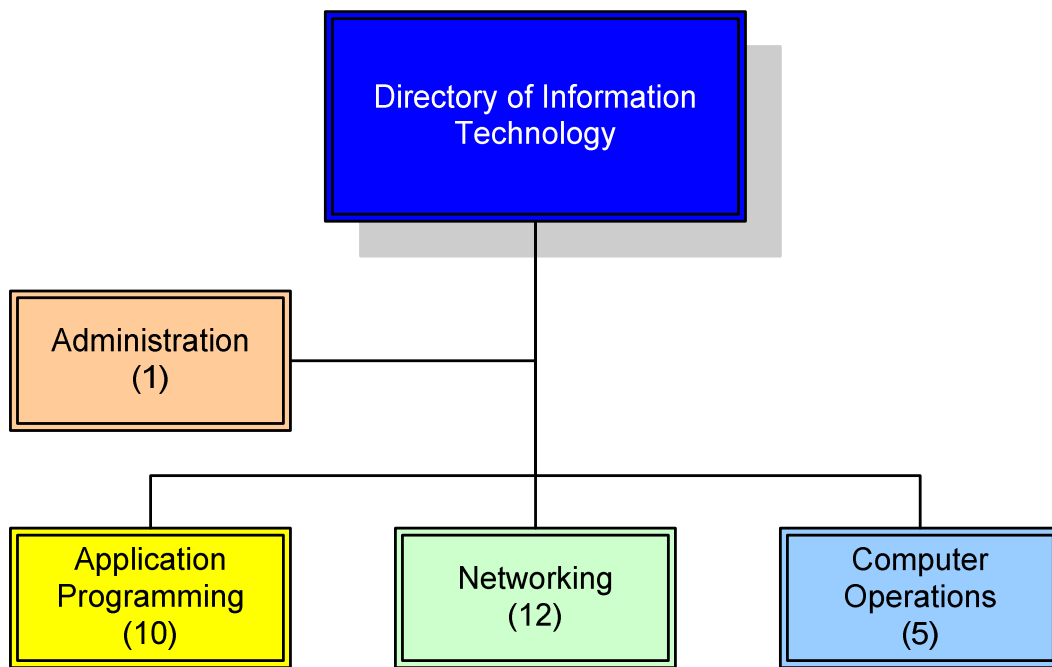


Figure 3 Information Technology Organization Chart

The following information is for internal use only

DIVISION	NAME
Director of Information Technology	Traci Morgan
Application Programming	Jeff Ralston
Networking	Randy Foshee
Computer Operations	Ralph Noll

II. ERP SYSTEM OVERVIEW

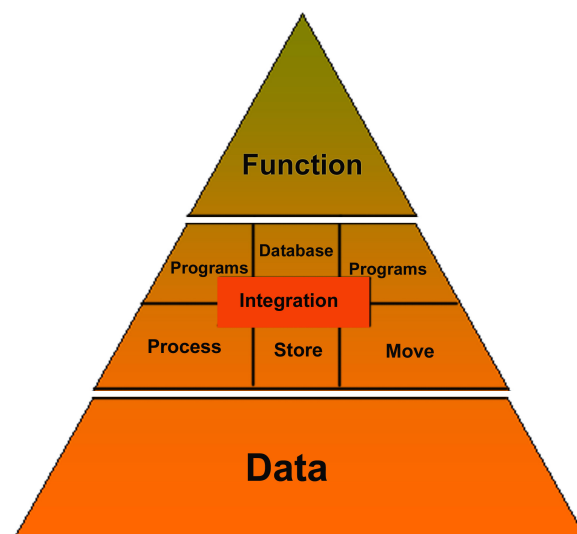
ERP systems typically include a full suite of modules that meet the overall enterprise needs of an organization. Modules that are included in an ERP system may include: Marketing and Sales, Field Service, Production and Inventory Control, Procurement, Distribution, Facilities Management, Process Design and Management, Quality Assurance, Human Resources (HR), Finance, Accounting and Information Services. Data from all areas of the organization will integrate into one complete database shared by all members of the organization.

The basic components of an ERP system are presented in the Concept Triangle below:

Data is the information needed to run an organization. It takes the form of account numbers, inventory, vendor ID, work orders, etc. Data is handled in three ways:

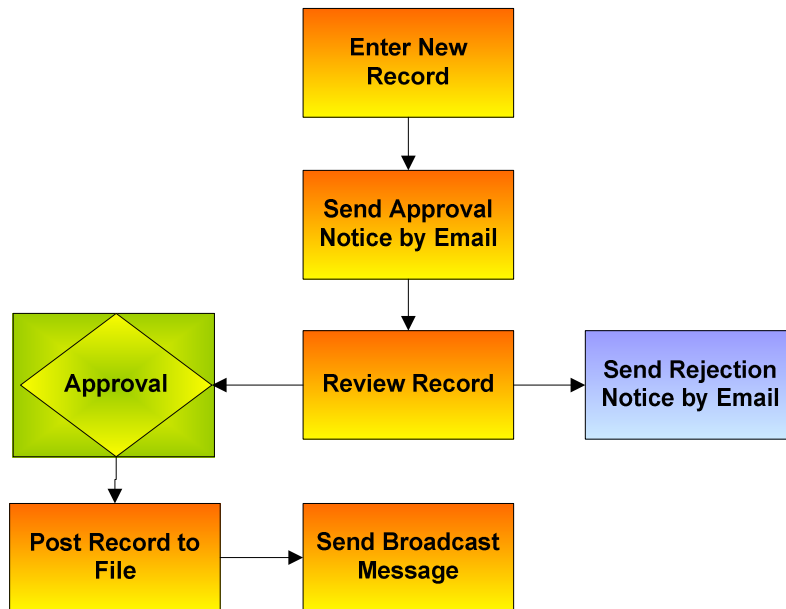
- Process (such as performing a calculation).
- Store (in secure places such as the database).
- Move between databases, collection devices, programs and output devices.

Through integration, programs interact with database as they process, store and display/collect data.



One of the major goals of most organizations is to eliminate unnecessary reviews, approvals, processes, copies and files by utilizing the electronic workflow and imaging capabilities of an ERP system to capture, transmit, store, and retrieve information. Workflow provides the ability to manage a business process flow for a particular functional area, while Imaging would allow source documents to be captured and stored electronically.

The City would be able to customize the Workflow engine for all of its approval processes. An example of a cross functional workflow model is illustrated below for Record Approval and Posting:



Another goal of most organizations is to increase data accuracy in order to improve the accuracy and usefulness of reporting. In an ERP system, staff will no longer have to access multiple databases – data will only be entered once, which will eliminate the human errors in a multiple system environment. Transactions can be maintained at a high level of detail, excellent for reporting and auditor satisfaction.

Most ERP systems provide report writers that can create a report output in a spreadsheet format. The reporting generator can either be program specific that is created and run from a general report writer, or created and run from a third party software package.

In summary, the implementation of a new ERP system will integrate the City's data into one complete database, improve workflow and efficiency, increase control over work processes, reduce the quantity of paper documents, provide more timely information, and ensure greater accuracy of information with more detailed content for reporting and inquiry.

III. NEEDS ASSESSMENT REPORTS

In this section, we present our understanding of the current processes and our recommended improvements by functional area. For each of the areas indicated below, an initial interview was conducted with the City's SME's, project oversight personnel and members of the Finance and Information Technology teams. Follow-up discussions and interviews were conducted after the initial interviews in order to further clarify current processes and needs. Each needs assessment report was then distributed to the City for review and final changes were made to the document as of the last update date.

A. INFORMATION TECHNOLOGY & GENERAL SECURITY

NEEDS ASSESSMENT / REQUIREMENTS DEFINITION																															
Client:	Little Rock	Functional Area:	IT & General Security																												
Prepared by:	Paul Chen	Last Update:	July 28, 2005																												
Person(s) Interviewed:	See Last Page	Date of Interview:	July 12, 2005																												
CURRENT PROCESS User Account <p>The City's current core systems include Finance, Budget, HR, Payroll, and Treasury Management. AMS's Advantage Financial was installed and implemented in 1988 as the current Financial System. Since then, the City has customized the system heavily, and is supporting it internally. All other systems were developed in-house. The following table illustrates the platforms of these systems.</p> <table> <tr> <th>Application</th><th>Front End</th><th>DBMS</th><th>Platform</th></tr> <tr> <td>Financial</td><td>AMS</td><td>AMS</td><td>Mainframe</td></tr> <tr> <td>Budget</td><td>COBOL</td><td>DB2</td><td>Mainframe</td></tr> <tr> <td>Human Resources</td><td>COBOL</td><td>DB2</td><td>Mainframe</td></tr> <tr> <td>Treasury Management</td><td>COBOL</td><td>DB2</td><td>Mainframe</td></tr> <tr> <td>Applicant Tracking</td><td>PHP</td><td>MySQL</td><td>Unix</td></tr> <tr> <td>Work Order</td><td>Microsoft .NET</td><td>Microsoft SQL Server</td><td>Windows</td></tr> </table> <p>Figure 1 Application platform</p>				Application	Front End	DBMS	Platform	Financial	AMS	AMS	Mainframe	Budget	COBOL	DB2	Mainframe	Human Resources	COBOL	DB2	Mainframe	Treasury Management	COBOL	DB2	Mainframe	Applicant Tracking	PHP	MySQL	Unix	Work Order	Microsoft .NET	Microsoft SQL Server	Windows
Application	Front End	DBMS	Platform																												
Financial	AMS	AMS	Mainframe																												
Budget	COBOL	DB2	Mainframe																												
Human Resources	COBOL	DB2	Mainframe																												
Treasury Management	COBOL	DB2	Mainframe																												
Applicant Tracking	PHP	MySQL	Unix																												
Work Order	Microsoft .NET	Microsoft SQL Server	Windows																												

Currently, the user account creation process takes approximately two to three days depending upon the user's mainframe access. In order to make changes to existing mainframe user accounts, the process takes about two days. End users initiate the process by sending a verbal or e-mail request to their Supervisor. If the request is approved, the Supervisor will send the official e-mail request to the Fiscal Systems Administrator (FSA) from the Finance Department, who will then make changes to the current profile of the user.

For new users who do not have access to the mainframe, the FSA will phone or forward the e-mail request to the System Programmer from the IT Department. Once approved, the System Programmer will create a user account, which allows the user to login to the mainframe (host access). This process takes only one day. The System Programmer will then contact the FSA so that they can proceed with creating a profile for the new user (application access).

The security of the City's current Financial System is role based; the FSA can assign user access based on the user's role or functional area or create new roles as the need arises.

The process of user account creation/update is complete once the FSA assigns the user with an appropriate role and notifies the user that his/her application access is granted.

See the next page for the user account request flowchart diagram.

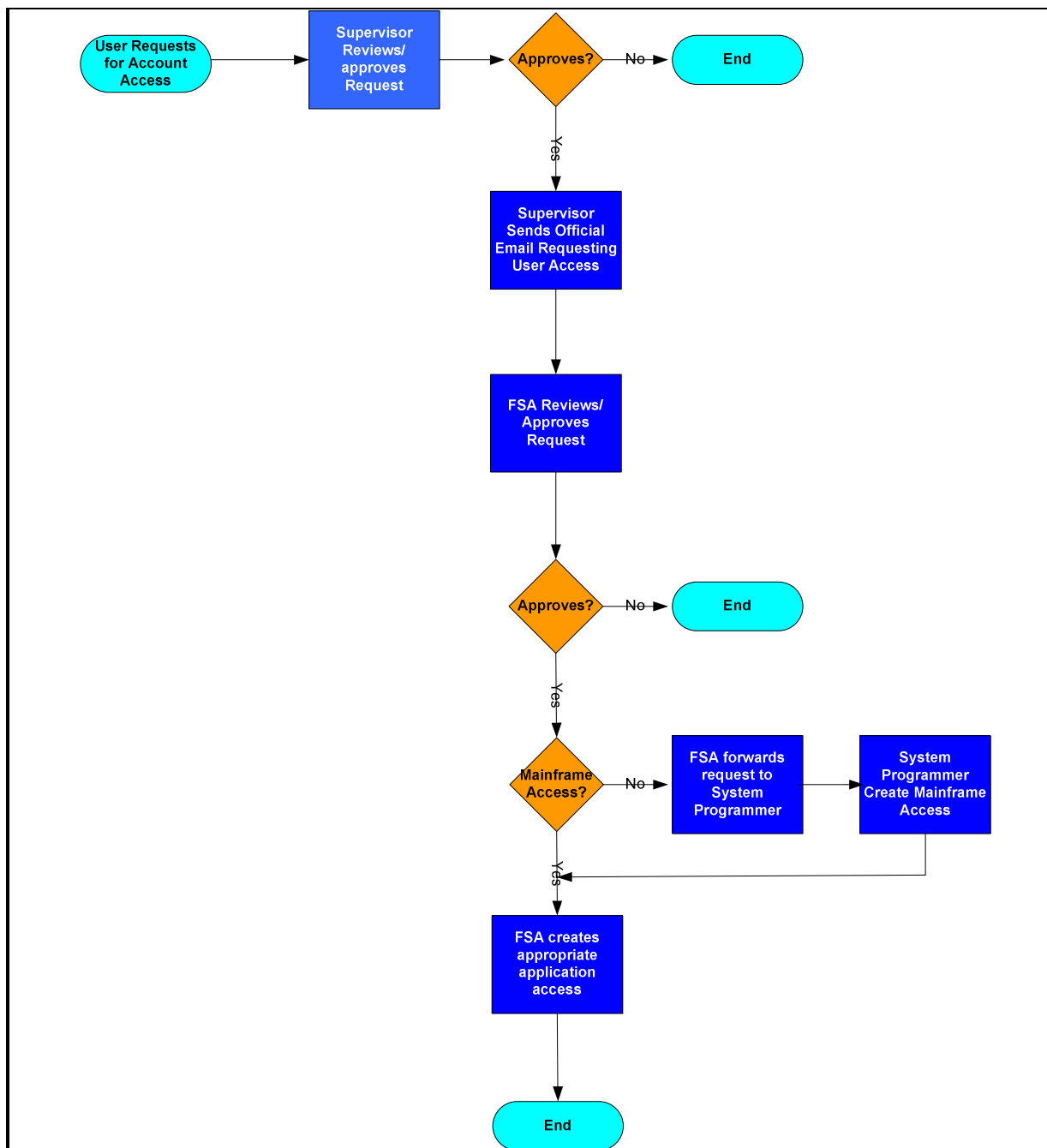


Figure 2 Account request process flowchart

General Application Security

As described previously, the City's security has two layers. In order to access the current systems, a user must first acquire access to the application host machine, and then access to the application itself.

The Work Order System resides on a Windows based server, which has a similar access method. Users must first acquire access to the network (Microsoft Active Directory), and then acquire access to the application level.

In general, the City's current systems allow users to see all functionalities within the applications (but not necessarily write to them unless they have the proper access). When a screen is viewed by a user with no write access, the screen will display but the user will not be allowed to update data.

The AMS System currently does not provide any type of audit trail; thus, user activities are not being tracked. However, other systems listed in Figure 1 do provide such capability.

All systems are capable of issuing individual User IDs and Passwords and have the ability to manage and control password expiration rules.

The City prefers, but does not mandate that the ERP have the ability to interface or integrate with Windows Active Directory.

PROCESS IMPROVEMENTS

Information technology is at the heart of any ERP System. Network is the information superhighway, which allows users to access the ERP System. It is estimated that the user base will increase from 150 to 300 once the new ERP System is implemented. The City should consider implementing strict bandwidth utilization restriction policies, such as prohibiting non-work related internet browsing and downloading.

The City should also consider implementing Quality of Service (QoS) network service. QoS should be applied in order to give priority to ERP-application data flow over other less time-critical traffic, such as web browsing, email, and file transfers. The three-tier architecture of an ERP system encompasses many different traffic flows. The connections between desktop and application server would be the foremost targets for implementing QoS because:

- The client-server traffic shares the network with many competing applications.
- Traffic may traverse many network devices and WAN links.
- Limited bandwidth may be available, particularly across the WAN.

The City should consider using workflow tools or an internal Work Order System within the new ERP System to automate the account request and approval process. The advantages of an automated system include:

- Users can check approval status on-line; thus reduce unnecessary communication and manpower to look up status.
- Reports can be created to show current active users and their access authorities, as well as statistics on historic data.

- Ability to disable users when they are suspended or terminated.

The City should also consider implementing controls so that users can be restricted to viewing only what they have access to. It makes users 'work space' more manageable and will reduce confusion.

The City should form an application interface team to begin planning for the upcoming implementation project.

The objectives should be as follows:

- Define interface scope
 - Make sure that the team successfully captures all manual and electronic interfaces.
 - Define roles and responsibilities for creating interfaces among the vendor solutions, such as Fleet Management and Maintain Pro.
 - Consult IT to get a high-level estimate for required manpower.
 - Prioritize and finalize the future state interface requirements.
- Resource planning
 - Develop an interface timeline.
 - Develop a backfill plan.

The RFP should include clear and concise information defining the systems that will need to interface to the new system. More interfaces will increase the scope and make integrated testing far more complex. The City will need to make an informed and balanced interface decision based on culture, budget, and available resources.

NEEDS/REQUIREMENTS

1. The system should suppress passwords so that they do not appear on the terminal as they are being entered.
2. The system should provide security at multiple levels (e.g. user, operation, menu, field, screen, database, etc.) in order to control what users have access to.
3. The new system should have the ability to log all updated transactions in a secure audit trail database table. The system also needs to provide management tools to allow the System Administrator to configure transactions and track data elements. Audit trails should always include time stamps and user identification.
4. The system should have the ability to write on-line queries and create reports to view audit trail information.
5. The system should support account creation at the individual user level. All system

users must have a unique ID and Password.

6. The system should monitor user activities, and automatically log users off the system after a period of inactivity. The Administrator should have the ability to configure the timeout period.
7. The system should have 'auto notify' capability, notifying the System Administrator when a user attempts to log in to the system unsuccessfully multiple times.
8. The system should have password rules such as length, password definition expiration period.
9. The system should support user creation at both individual user and role based levels. In addition, the system should support role inheritance, so the System Administrator can combine roles, and modify the parent role to form a new role.
10. The system should have the ability to perform electronic approval and/or digital signatures for various documents.
11. The system should have the ability to synchronize application security with database security. Application security should not be violated when logging into the database directly using the same user ID and password.
12. The system should have the ability to interface or integrate with Microsoft Exchange.
13. The system should provide a Software Development Kit (SDK) that empowers the IT Department to enhance and integrate the system with Microsoft .NET.
14. The system should provide a data dictionary and reporting tools.
15. The system should have the ability to customize user menus and screens based on user access authority.
16. The system should have the ability to provide a graphical user interface (GUI) for reviewing information.
17. The system should have on-line help.
18. The system should possess the ability to provide archiving of data.
19. The system should provide detailed technical documents for the System Administrator, the System Engineer, and the Application Engineer.
20. The system should provide an application system log for system supporting staff.
21. The system should provide a security log for system support staff.
22. The system should be installed at the main campus.

23. In the event the City should select a web-based ERP System, the application must support SSL.
24. The system should provide application level load-balancing functionality efficiently.
25. The City's IT Department intends to support the new ERP system on an on-going basis. The selected vendor should provide IT staffing plans based on the installation.
26. The system should be able to run on servers in a cluster environment.
27. The vendor should work with the City's network security group for internet access through the City's Firewall.
28. The City utilizes Microsoft Systems Management Server (SMS) for application development and management. The vendor should provide Microsoft Installer Package (MSI) for installing and upgrading the ERP System.
29. The ERP vendor should work closely with the City's IT Department to develop interface programs and convert legacy data by mapping the data and providing a data dictionary for the new system.
30. Identified current core business systems should be fully integrated in the future state.
31. The City should require that vendors include a data integration approach in their proposal, including interface modules/tools and the associated cost.
32. The new ERP system should support electronic data interfaces that are currently in place (please refer to Figure 2 – see Legend for Applications with Electronic Interfaces), as well as create new electronic data interfaces (please refer to Figure 2 – see Legend for Applications without Electronic Interfaces) to eliminate the need for redundant data entry.

Individuals who attended the needs assessment session:

- Jeff Ralston – IT
- Clifford Smith – Internal Audit
- Jim Foster – Police
- Mary Ellen – Finance

B. ACCOUNTING & CHART OF ACCOUNTS

NEEDS ASSESSMENT / REQUIREMENTS DEFINITION			
Client:	Little Rock	Functional Area:	Accounting & COA
Prepared by:	Iris McGee	Last Update:	August 16, 2005
Person (s) Interviewed:	See Last Page	Date of Interview:	July 14, 2005

CURRENT PROCESS

Account Structure

The City of Little Rock uses a series of codes, referred to as Organization Codes to identify various organizational units/cost centers within the entity.

- The highest level identification level is the “Fund.” The Fund is a 3 – 4 digit code that identifies the funds that make up the organization. Currently, the Fund is also being used to track certain grant activity and other components within the high level funds of the entity. There is inconsistency in the numbering convention, as the codes are not all the same length, and some are made up of all alpha characters, while others are either alpha-numeric or all numeric. A partial list of Funds is illustrated below:

YEAR	FUND	NAME
2005	CDBG	COMM. DEV. BLOCK GRANT
2005	GFA	GENERAL FIXED ASSETS
2005	GLTD	LONG TERM DEBT GROUP
2005	HOME	HOME INVESTMENT PARTNERSHIP
2005	100	GENERAL FUND
2005	607	ZOO FUND
2005	607A	ZOO SPECIAL PROJECTS FUND
2005	800	POLICE PENSION

- The next level of identification is the “Agency”, which identifies different departments within the City. The Agency is a 3 digit code which is also made up of either all alpha, alpha-numeric or all numeric characters. A sample of some of the Agencies that are currently defined for the City includes:

AGENCY	NAME	MANAGER30
AFH	AFFORDABLE HOMES	DOROTHY NAYLES
NHS	NEIGHBORHOOD HOUSING SERVICES	SARA MOORE
C25	CDBG 25 TH YEAR	JIMMY PRITCHARD
010	GENERAL GOVERNMENT	CITY MANAGER
111	FINANCE	BOB BILES
340	FIRE	FIRE CHIEF

- The “Organization” (Org) depicts different divisions within the departments, and is represented by a 4 digit code that consists of all alpha, alpha and numeric or all numeric characters. The “Project” Code is the same as the Org Code depending on the type of transaction. It is specifically designated for special projects and grants, rather than for a division within a department. A partial list follows:

AGENCY	ORG	NAME	MANAGER12
010	1012	RACE RELATIONS/DIVERSITY	CITY MANAGER
111	1110	ACCOUNTING & REPORTING	CONTROLLER
340	4400	FIRE TRAINING	FIRE CHIEF
350	B312	POLICE EQUIPMENT PROJECT	POLICE CHIEF
340	X042	ENHANCEMENT HAZMAT TEAM	FIRE CHIEF

- The “Activity” was developed to further differentiate different types of projects or activities within the Agency, such as Workforce Investment Grants, Board Member and Director expenses, and Freedom of Information (FOI) requests. Activity Codes are 3 or 4 characters long, and can be comprised of any combination of alpha and/or numeric characters. The chart below depicts a sample of some of the Activities last used by the City:

YEAR	ACTIVITY	NAME
2002	W007	JONES SHAWN
2002	W011	PETTUES MASAMI
2005	ZDIR	ZOO DIRECTOR
2005	BW02	WILLIE LEE HINTON
2005	BOD7	JOAN ADCOCK

The City’s account code structure includes three different types: 1) Object Codes, which are used to define expense accounts, 2) Revenue Codes, which define revenue accounts, and 3) Balance Sheet Codes, which define asset, liability and fund balance type accounts. Object Codes and Revenue Codes also have sub-accounts, which can be used to further define an expense or revenue.

Each account code is associated with an Account Type, which defines the type of account (i.e. asset, liability, fund balance, revenue, expense, encumbrance, etc.) Although the same account code number can be used more than once, each application must have a unique Account Type. For example, the account code 1020 designates Part Time Salaries within the Object Code list and Impound Storage Fees within the Revenue Code list, but they are uniquely identified by the Account Type to which they are associated. (See Account Type chart below).

In addition, each account code is associated with an Account Classification code which groups similar accounts for reporting purposes. The Account Classification is often used when creating financial reports in Excel.

A breakdown of the Chart of Accounts structures follows:

- Object Codes define the different type of expense categories that are used within the

City. The codes are all 4 digits long, but there is no numbering convention to “group” the different types of expense codes. For example, all objects that begin with a 1 can represent assets and all objects that begin with a 2 can represent liabilities, and so on. (Each object code is associated with an Account Classification that does allow grouping of objects). A partial list of object codes is provided below:

YEAR	OBJECT	NAME	CLASS	TYPE2
2005	1010	FULL-TIME SALARIES	100	10
2005	2131	PRINTING SERVICES	200	20
2005	2010	OFFICE SUPPLIES	200	20
2005	1170	MEDICARE	100	10
2005	6120	UTILITIES - WATER	600	20
2005	7060	VEHICLES	750	20

- Sub-Objects are 2 digit codes that can be paired with objects to define a further level of detail. Sub-Objects are two-digits long and can be paired with different Object Codes to mean different things. A sample of the City’s Sub-Objects are listed below:

YEAR	OBJECT	SUBOBJECT	NAME
2005	2030	02	CONCESSION FOOD
2005	2030	03	ANIMAL FOOD
2005	5050	99	ALL OTHER REFUNDS
2005	6050	01	AIRFARE
2005	6050	02	AUTOMOBILE MILEAGE
2005	6050	03	LODGING

- Revenue Codes are 4 digit codes that identify the different type of revenue categories that are used within the organization. The codes are all 4 digits long; some codes having an alpha prefix followed by 3 digits, and other codes being all numeric. The Revenue Code is basically another type of Object Code that is set aside for revenues. The chart below illustrates several Revenue Codes:

REVSOURCE	NAME
C010	CDBG
C050	DAY CARE FEES
I020	IMPOUND STORAGE FEES
F030	USER FEE-FUEL
S020	LEASES
1010	PROPERTY TAXES
2110	GENERAL BUSINESS LICENCES
4020	TRAFFIC FINES
F035	USER FEE-MOTORPOOL VEHICLES

- Sub-Revenue Codes are 2 digit codes that can be paired with Revenue Codes to define a further level of detail to identify the revenue. Sub-Revenue Codes can be paired with different Revenue Codes to mean different things.

YEAR	SOURCE	SUBSOURCE	NAME
2005	C060	01	HOME SALES
2005	F111	02	STORAGE FEES
2005	S035	20	CC-BASKETBALL
2005	2210	00	CENTRAL OFFICE
2005	3421	11	PRO SHOP
2005	5350	72	PAY PHONE

- Balance Sheet Codes are 4 digit codes that identify the different type of asset, liability, and fund balance categories. The codes are all 4 digits long and are all comprised of numeric characters. The Balance Sheet Code is basically another type of Object Code that is set aside for balance sheet transactions. A partial list is illustrated below:

BSACCT	NAME	TYPE2
1002	CASH - PAYROLL	01
1324	A/R - CDBG	01
1999	VEHICLES	01
5034	COBRA PAYABLE	02
8506	RESERVE ENCUMB PAYROLL	03

- Account Types are 2 digit codes that are used in combination with an Object Code, Revenue Code, or Balance Sheet Code to define the type of account. The following types are currently defined:

TYPE	NAME	SHORT NAME
01	ASSETS	ASSETS
02	LIABILITIES	LIABILITIES
03	FUND BALANCE	FUND BALANCE
21	ENCUMBRANCES	ENCUMBS
22	EXPENDITURES/EXPENSES	EXPEND/EXP
31	REVENUE	REVENUE

- Account Classifications – Account Classifications are 3 digit codes that group similar Object Codes. For example, class 200 represents all Supplies and Small Purchases, including Office Supplies, Uniforms, Postage, Cleaning & Janitorial, Fuel, and Equipment Purchases under \$5K.

Different transactions require different account coding rules. For instance, if a Balance Sheet Code is used, only the Fund number is required. Other accounting distributions may look like the following:

- General Fund Disbursements require Fund-Agency-Org-Object-Sub-Object
- General Fund Revenues require Fund-Agency-Revenue Source

New Accounts

New accounts are created when the need arises. Requests typically come from accountants or Budget Personnel (when an invoice must be paid from a budget line that the department does not have) and are forwarded to the Accounts Payable (AP) Supervisor, who will analyze the current accounts and determine whether the new account is necessary. If it is deemed as necessary, the AP Supervisor will define where the account should fit within the current structure. Requests for Special Projects and Grant related accounts require additional approval based on the type of project. The AP Supervisor will forward these requests to the appropriate party. Allocations for Special Projects related to bond issues are forwarded for approval to the Board. Purchase Orders or invoices associated with the 2004 Capital Improvements Bonds are forwarded to the Special Projects Manager at the City Manager's Office to ensure compliance with ballot title initiatives. Other Special Project account requests are approved by the Finance Director or the City Manager.

At the beginning of each budget process, a series of programs are run to create the Chart of Accounts and the necessary budget tables for the new year.

Interfund Transactions

The City prepares interfund journal vouchers to record charges for printing, postage, fleet usage, fleet maintenance and catering. Sometimes they are used to make reclassification corrections.

The City uses the 9500 series Object Codes to transfer money from one Fund to another. A Sub-Object Code is used to designate which Fund the money is being transferred to. In other words, if the City has 30 Funds, the Chart of Accounts would need to have 30 different Object and Sub-Object Code combinations.

Monthly Closing

In order to distribute monthly financial reports on a timely basis, the Finance Department generally uses the 13th working day of the following month as a cutoff for receiving corrections. Each of the Accountants maintains a separate month-end closing checklist of items that need to be addressed. (Responsibilities for each of the Accountants are assigned based on Fund). Month end reports are distributed to the Board of Directors and are also posted on the City's website.

The following bank accounts need to be reconciled each month:

NAME	PURPOSE
GENERAL	
COMBINED CASH ACCOUNT (CHECKING)	OPERATING
COMBINED INVESTMENTS-POOLED CASH	POOLED CASH AND INVESTMENTS
POOLED CASH	POOLED CASH AND INVESTMENTS
POOLED CASH	POOLED CASH AND INVESTMENTS
LIMITED BOND FUND - INVESTMENTS (2004 BONDS)	POOLED CASH AND INVESTMENTS
PAYROLL (CHECKING)	PAYROLL CLEARING
WORKERS COMPENSATION (CHECKING)	WORKERS COMP.
CASH-STATE ASSET FORFEITURE (CHECKING)	STATE SEIZURES
CASH-LR POLICE OCI (CHECKING)	FEDERAL SEIZURES
LITTLE ROCK ADVERTISING AND PROMOTION	PARKING DECK OPERATIONS
CDBG	GRANT
HIPP	GRANT
NHSP	GRANT
SECTION 108	GRANT
FALCON JET – ECONOMIC DEVELOPMENT	GRANT
BOND INVESTMENTS / DEBT SERVICE:	
INVESTMENTS-2002 CONSTRUCTION	CONSTRUCTION ACCOUNT
INVESTMENTS-BOND PROJ FUND	CONSTRUCTION ACCOUNT
INVESTMENTS-DSR BONDS	SERVICE THE DEBT
INVESTMENTS-BOND FUND	PAYMENTS TO BONDHOLDERS
INVESTMENTS-BOND FUND	PAYMENTS TO BONDHOLDERS
INVESTMENTS-1999B BOND	PAYMENTS TO BONDHOLDERS
INVESTMENTS-2002 JR LIEN BONDS	RECEIVE DS & PMT TO BONDHOLDERS
INVESTMENTS-DSR BONDS	SERVICE THE DEBT
INVESTMENTS-DSR BONDS	SERVICE THE DEBT
2002 W/D DSR	SERVICE THE DEBT
2002 WASTE DISPOSAL BOND FUND	PAYMENTS TO BONDHOLDERS
INVESTMENTS-DSR BONDS	SERVICE THE DEBT
INVESTMENTS-BOND FUND	PAYMENTS TO BONDHOLDERS
INVESTMENTS-OP & MAINT SUB	SUB ACCT FOR OP & MAINT
INVESTMENTS-CONSTRUCTION BND	CONSTRUCTION ACCOUNT
INVESTMENTS-DSR BONDS	SERVICE THE DEBT
INVESTMENTS-BOND PROJ FUND	HOLDING ACCT FOR SEMI-ANNUAL P&I PMTS
FIDUCIARY / AGENCY ACCOUNTS:	
MUNICIPAL COURT (CHECKING)	AGENCY
CASH BOND (CHECKING)	AGENCY
ADMINISTRATION OF JUSTICE (CHECKING)	AGENCY
POLICEMEN'S PENSION AND RELIEF FUND (CHECKING)	FIDUCIARY – OPERATING
FIREMEN'S PENSION AND RELIEF FUND (CHECKING)	FIDUCIARY – OPERATING
POLICEMEN'S PENSION AND RELIEF FUND	TRUST ACCOUNT - PENSION BENEFITS
FIREMEN'S PENSION	TRUST ACCOUNT - PENSION BENEFITS
DEFINED BENEFIT	TRUST ACCOUNT - PENSION BENEFITS
DEFINED CONTRIBUTION	TRUST ACCOUNT - PENSION BENEFITS
DEFINED CONTRIBUTION	TRUST ACCOUNT - PENSION BENEFITS
401A	TRUST ACCOUNT - PENSION BENEFITS
401A	TRUST ACCOUNT - PENSION BENEFITS
401A	TRUST ACCOUNT - PENSION BENEFITS
401A	TRUST ACCOUNT - PENSION BENEFITS

Monthly cut-off dates are established by the City Ordinance 18,605. The following chart identifies the City's monthly close-out schedule:

EVENT	WORKING DAY
Department notification of deposits submitted to Accounting	3
Obtain monthly bank statements	4
Process bank files to produce combined payroll outstanding check lists	5
Obtain monthly investment statements	7
Reconcile book balance and bank statement for bank accounts 10 (including fiduciary and agency accounts)	9
Reconcile book balance and investment balances	11
Finalize and enter all remaining journal entries	12
Review and make corrections	13
Final review	14
Process computer system reports (month-end close)	15
Completion of monthly reports	20
Monthly report send to City Manager for distribution to Board	21

Bi-weekly reports are also distributed to the Department Directors, which include the Budget versus Actual report, Vacation and Sick Payoff report, and the Vacancy report.

Accounting Corrections

Occasionally, departments may find errors while reviewing their monthly reports. If they need to correct these errors or make a transfer between accounts, they are required to make their request by phone or e-mail to the AP Supervisor, Controller, or the Finance Director. If the correction pertains to a payroll transaction, the request will be forwarded to Payroll. The email includes the reason for the adjustment, the original account that was charged, the account that should be charged, the date of the charge, the dollar amounts and any other relevant reference.

Recurring Journal Entries

The City prepares a limited number of recurring journal entries.

Petty Cash

Petty cash funds may be established by a department if the availability of cash is essential to the operation of the department. Petty cash is most often used to facilitate small repetitive purchases. The establishment of a petty cash fund requires the approval of the Internal Auditor. The City maintains several petty cash funds.

The departmental custodian of the fund is responsible for the fund and its safekeeping. Receipts or statements must be obtained that substantiate the use of the cash. When reimbursement of the fund is necessary, a check request should be submitted to the Accounting Office along with the appropriate supporting documentation.

Year End Close and Audit

The City's fiscal year ends on December 31st. All revenues earned and expenditures incurred after December 31st are recorded in the next fiscal year. Conversely, a purchase made and received on December 30th, for example, would have to be recorded in the current fiscal year even if the invoice is received after year end. Specific cutoff instructions are as follows:

- Invoices and Check Requests - All invoices and Check Requests pertaining to the current fiscal year should be submitted to the Accounting Office by January 31st. Generally, invoices received after the last week in January will be charged to the next fiscal year. All departments should review their open Purchase Orders and other expenditures at December 31 and inform the Accounting Office if an accrual is necessary to reflect the expenditure in the proper fiscal year. The AP Supervisor will review any invoices received after January 31st to see if any payments should be booked in the previous year up until the 13th of February (January's month-end close).

A 13th month is used to book accruals and corrections that were not booked by the end of the 12th month close and to book any AP invoices that relate to the previous year but were not received until after the hard close of the 12th month.

- The Audit - The annual audit of the City's records generally takes place from mid-March until the audit is complete, usually in mid-May, although the Finance staff begins to prepare audit schedules in early February. Audit adjustments are posted to the next fiscal year due to the fact that the current system does not enable a "soft close". As a result, the adjustments affecting income are booked directly to Fund Balance or Retained Earnings. While most of the auditors' time is spent in the Finance Department, the scope of the audit may require the auditors to visit other departments. Departments will provide the auditors with any information or documentation that they might request.
- Balance Forward Entries - Balance Forward Entries are automated by the system when the 13th month is closed.

Forms

The Accounting Office maintains the following forms:

- Travel Authorization Form
- Travel Expense Report
- Journal Entry
- Cash/Credit Receipt

Other Accounting Office Responsibilities

- Establishing and updating accounting policies and procedures (please note that formal procedures do not exist as each Accountant maintains his/her own notes).

- Assigning and maintaining the account structure and list of accounts
- Providing training on the Financial System.
- Maintaining forms.
- Maintaining security on the Financial System.
- Serving as a help desk for the Financial System.
- Participating in the development, review and implementation of the new ERP System.

DOCUMENTS REVIEWED

- Chart of Accounts
- List of Bank Accounts
- City Ordinance 18,605
- Monthly Close Calendar
- Procurement Policies Manual
- Accountants' Month End Checklists
- Monthly Financial Reports
- Bi-weekly Reports: Budget versus Actual report, Vacation and Sick Payoff report, Vacancy report.

CONSTRAINTS

1. Accounts cannot be inactivated/deleted from the system; therefore, when a Chart of Accounts report is generated from the system, all accounts will appear whether they are valid/current accounts or not.
2. Balance Forward Entries cannot be posted and then undone to allow for adjustments to the previous year's activity before they are reposted. This limits the City from being able to view current year balances until the 13th month is closed and the Balance Forward Entries are posted.
3. The system does not allow for a soft close at year end, therefore, audit adjustments are being booked to the next fiscal year.
4. Reports cannot be generated from the system to illustrate the current system security setup. Once security is setup within the system, the Administrator cannot report on the setup (they can inquire only).
5. The system has the ability to set security limitations to confine users to only using the account code for their own department, but this feature is currently not being used.
6. The system does not provide the ability to limit only certain Object Codes to be used within certain subsystems. For example, the City may want only Revenue Object Codes to be used in the Accounts Receivable (AR) System.
7. There are limitations on tracking projects/activities. Some funding agencies, such as HUD, would like the City to track all housing costs related to a specific address or

account, but that is currently not possible because the costs are scattered across many accounts.

8. Revenues are booked at the Agency level while expenditures are booked at the Org (Division) level. (The system allows revenues to be booked at the Org level for multi-year revenues only). This practice prevents the City from generating income statements at the Org (Division) level. As a work around, numerous Revenue Object Codes have been created to compensate for this problem. Users are naming the new Revenue Codes in a manner that assists them in determining what Org (Division) the revenues belongs to. In order for the City to run an income statement at the (division) level, data will still need to be further manipulated in Excel to achieve the end result.
9. The Chart of Accounts is not maintained in a single, unified list. Expenditures are captured on the object list and revenues are captured on the revenue source list.
10. The Chart of Accounts and organization structure is not optimal for reporting purposes. Some of the structure is retained even though it is not currently being used.
11. Reports are not real-time – they are often run from DB2 that is extracted on a regular basis from AMS.
12. Journal entries are posted by the creator before they are approved by the supervisor. Therefore, if any adjustments need to be made to the system, they will need to book an adjusting entry to the original entry.
13. The process of entering journal entries is time-consuming and tedious. In order to create one transaction line on a journal entry, it requires the user to navigate through three lines on the data entry screen. The first line includes account code information, the second line includes the debit amount, bank account information, vendor/provider description, etc., and the third line includes the journal entry line description, the credit amount and a cash indicator code. Although not all fields are required for each entry, the user still has to navigate through three lines of fields in order to enter a single debit or credit transaction. The system does offer some shortcuts to expedite this process, but most users are unaware of these shortcuts, and overall, the process is still quite extensive.
14. For the most part, the “comments” field on the journal entry screen does not provide enough characters to write any additional information about the journal entry.
15. Journal entry backup documents are scanned after the journal entry is entered into the system and a separate process is performed to associate the image with the original journal entry.
16. The Chart of Account contains three lists: the Object Codes (expenses), Revenue Codes, and Balance Sheet Codes. These codes are not all unique within the lists; therefore, the same code may be used to identify an expense as well as revenue. (They are made unique through their association with a unique Fund Type, which

defines the classification of the account).

PROCESS IMPROVEMENTS

1. The City should take advantage of the capabilities of a new system and restructure its Chart of Accounts. At a minimum, the new account code structure should:
 - Have an established naming convention for all Object Code and organizational layers.
 - Reserve enough numbers in each account grouping for future expansion and organizational changes.
 - Be consistent with length and composition (alpha/numeric/alpha-numeric).
 - Review current codes and ensure that it is “cleaned” up before converting to the new structure since it is our understanding that much of the logic behind the creation of the accounts has been lost over the years.
 - Allow for multi-dimensional organizational parts.
 - Establish grant and project codes in a separate table structure. This dual account table system will provide the City with powerful management tools for the Project and Grant Managers. They will now be able to track more detailed activities and grant line items without cluttering up the General Ledger with additional Object Codes.
 - A reference document should be developed to explain the different levels of the Chart of Accounts as well as the logic behind each decision.
2. The problem of recording revenue at the Agency level and expenditures at the Org (division) level can be eliminated if the City establishes some ground rules under a new multi-dimensional account code structure. All entries can be coded to an Org Code by creating Org Codes that represent three different levels:
 - a. Department/org level – where detail transactions (revenues and expenses) are posted.
 - b. Fund level – where assets, liabilities and fund balance entries are held for each fund.
 - c. Entity level – where cash and investment accounts are maintain

As an example, let's say that Org Code 2120120 exists for the MetroCentre Mall and represents the Department/Cost Center level. An Org Code of 2120000 might then represent the Fund (Administrative) level which represents the Economic Development Fund to which the MetroCentre Mall belongs. Finally, an Org Code of 1000000 might represent the Entity level. So, if a particular transaction needed to hit the cost center, then it would be coded to 2120120, but if the transaction needed to be coded to the Fund/Administrative level, then it would be coded to 2120000. Finally, if the transaction needed to be booked to the entity level (pooled cash or

investment account), then it would be booked to 1000000.

All the Orgs for a particular grouping will roll up to an Agency based on user defined rules; likewise all the Agencies within a particular parameter will roll up to a Fund. (Assuming that the Org Code is the lowest organizational reporting level, and rules have been established to code all accounting transactions at that level.) An Administrative Org Code (some systems call it the Control Org Code) should be established to capture those transactions that should be coded directly to the Agency or the Fund level (Org Code 2120000 in the example above). Assets, liabilities and fund balance transactions represent such transactions, as well as certain types of revenues earned on cash and investments that should typically be coded at the Fund level. When a particular cost center (or Org) would like to run its own set of activity or analysis reports the system can then isolate those revenues that are specific to that Org Code.

3. The Finance Department should consider developing official forms for the following:
 - Request for New Account (currently this is handled through e-mail or phone requests)
 - AP Check Request (these are currently handled through a requisition form)
4. The Finance Department should establish a formal Policies and Procedures Manual. Currently, there is a Purchasing Manual that serves as a reference for some of the policies and procedures, but a more comprehensive reference document should be developed.
5. A complete list of year end procedures should be developed (this can be included in the Policies and Procedures Manual stated above)
6. The City's ERP System Administrator should maintain detailed records of the security setup for all the users and develop internal procedures to capture new employees and employees whose job responsibilities may have changed. Periodically, the Administrator should run a system generated report to ensure the security setup is still accurate.

NEEDS/REQUIREMENTS

1. The City should consider establishing pooled cash and pooled investment convention in order to facilitate the management of cash and securities for all funds. The pooled cash account represents the deposits and disbursements of cash from all the activities of the City. Each individual participating fund has equity in the consolidated pool based on their residual pro rata contribution (i.e., the net of each fund's deposits and disbursements of cash). The advantages of having a pooled cash account are: streamline the number of cash object accounts that need to be created in the General Ledger, and automate interfund transactions.
2. The new system should provide the capability to group object codes and establish reporting levels for each organization.

3. The new system must have the ability to copy objects or organization codes to facilitate the entry of similar records.
4. The new system should come with detailed instructions on how to reconcile subsystems to the General Ledger and also on how to reconcile the due to/from accounts.
5. The new system should provide the option to run reports that show unposted journal entries before they are actually posted.
6. The new system should offer Project/Activity module that can track diverse projects and grants. In addition, the setup of projects should allow for project grouping at different levels in order to facilitate reporting.
7. Users should be able to establish a start and an end date for each project or grant.
8. The system should be able to automate most of the intrafund and interfund clearing entries based on user defined rules.
9. Ability to define which Object Code types (revenue, expense, asset, liability, etc.) can be used with any given Org (Division) code.
10. The system should provide shortcut account numbers in order to facilitate data entry. A short series of numbers can be entered instead of the fully qualified organization/object account.
11. The system should offer authorized users the ability to undo transactions, provided that it leaves an audit trail.
12. The system should have the ability to have a journal entry trigger a secondary journal entry if all the user defined rules are met. This is useful for interest allocations, indirect cost distributions, balance forward entries, capitalization of capital assets, etc.
13. The journal entry screen should have fields for vendor ID, Purchase Order number, and also an option of whether or not to hit the encumbrance database in order to allow a journal entry posting to update a specific Purchase Order and/or vendor's history within the database and also to update the encumbrance database.
14. The system should allow user security to be established at the database level. This is useful if the City would want to restrict employees from viewing financial data of other departments or prevent users to gain access to certain Object Codes.
15. Ability to link transactions to images of source documents.
16. The number of reporting periods within a fiscal year should be user-defined, allowing for a 13th, 14th or even a 15th period at year end. This will allow for the separation and identification of unique periods for balance forward entries, audit required adjustments, or any other special closing functions.

17. The system should allow for the posting of Balance Forward Entries multiple times (by undoing the original posting and allowing the ability to book additional entries to the prior year and then re-posting Balance Forward Entries)
18. Accrual entries should have the option to trigger a reversal entry, which may be posted to the next accounting period.
19. The ability to copy journal entries
20. Electronic approvals should be available for journal entries.
21. Ability to have hard or soft month and year-end closing.
22. Once an invalid account with no associated history is deleted, it should be excluded from the Chart of Accounts.
23. The system should allow the definition of a specific valid time period for an account. The system should view the account as inactive as of any date prior to or beyond the specified time period.
24. The system should not allow the deletion of accounts that have associated history.
25. The system should maintain an audit trail of all changes made to the general ledger.
26. The System Administrator should be able to run reports to show users' security setup.
27. Reporting features – (Please refer to the Financial Reporting section).
28. The journal entry screen should include sufficient characters in the “description” and “comments” fields.

Individuals who attended the needs assessment session:

- Sara Lenehan – Finance
- Aaron Theodore – Housing & Neighborhood Programs
- Joan Bohannon – Housing & Neighborhood Programs
- Alan Bohannon – Finance
- Mary Ellen Ewing – Finance
- Lisa Cruse – IT
- Linda Walker – IT
- Carroll Hargrove – Zoo
- Joanne Dubnicka – Finance
- Donna Facen – Finance

- Sheila Garret – Finance
- Marilyn Clark – Police
- Clifford Smith – Internal Audit
- Helen Johnson – Finance
- Claudine Forte – Finance
- Keith King – Parks & Recreation

C. FINANCIAL REPORTING

FINANCIAL REPORTING			
Client:	Little Rock	Functional Area:	Financial Reporting
Prepared by:	Iris McGee	Last Update:	August 16, 2005
Person (s) Interviewed:	See Last Page	Date of Interview:	July 12, 2005
<p>CURRENT PROCESS</p> <p>Many of the current reports are being generated from RocketShuttle, an IBM Query and Reporting program used to download information from AMS. Information is downloaded nightly to an independent DB2 database, from which end users generate their reports using RocketShuttle and then download the information to Excel in order to manipulate it. Based on the timing of the last time data is downloaded to DB2, users may be generating reports based on data that is anywhere from 12 hours to 24 hours old.</p> <p>The extracted data generated by RocketShuttle (via DB2) does not always agree to the General Ledger. For example, if a new account is created after the reporting parameters have been established, then the extraction may leave out some of the required transactions if the parameter is not redefined. When differences exist between RocketShuttle and AMS, staff has to take additional time to investigate the causes.</p> <p>Reports are also being extracted (from AMS) into Monarch, a Windows-based report mining software, so that they can be formatted and manipulated. All departments have access to Monarch to look at monthly reports. The Accounting and Budget Office use Monarch to extract information from reports that are run from the list queue on the mainframe. Many of these reports are scheduled to run automatically on the mainframe during the evening. Monarch reports can then be downloaded to Excel for further editing.</p> <p>The Budget Office seems to run reports directly from AMS more often than other departments.</p> <p>Bi-weekly reports are distributed to the Department Directors. These include the Budget versus Actual report, Vacation and Sick Payoff report, and the Vacancy report.</p> <p>Monthly financial reports are developed in Excel (based on several reports generated from the Financial System). These reports are approved by the Finance Director, and then distributed to the Board and posted on the City's website.</p> <p>Some of the AMS system generated reports include:</p> <ul style="list-style-type: none"> • A613 – Detailed Trial Balance sorted by Fund and then by Account Type • A614 – Trial Balance sorted by Fund and then by Account Type. 			

- **A103** – Expense Report sorted by Fund, Agency, Org, and then Object. Multi-year funds are listed first.
- **Z103** – Expense Report sorted by Fund, Agency, Org, and then Object. This is a roll-up report of the A103 and is sorted by Agency
- **Y103** – Expense report that is a roll-up of A103 and is sorted by Fund
- **A400** – Expense report by Activity Code.
- **A203** – Revenue report sorted by Fund, Agency, Org, and then Revenue Source. Multi-year funds are listed first.
- **A270** – Revenue report that shows a comparison to the budget by Fund.

In addition, the Finance Department runs the following reports for Purchasing:

- **Short Term Financing Report** – This report is generated from RocketShuttle.
- **Expenditure Detail by Fund/Agency/Org** – This is a system generated report directly from AMS.
- **Outstanding Purchase Orders** – This is a report prepared in Excel by way of RocketShuttle.
- **Income Statement for Print Shop** – The Print Shop is an organization in the Purchasing Office that is treated like an enterprise operation. This income statement is generated in Excel by way of RocketShuttle.

There are also various reports that are generated for the Commission Boards. These include:

- **Special Projects Report** – A report that lists the appropriations and receipts, encumbrances, actuals/expended, and balances by Project Number within Agency within Fund. This report is distributed to the Finance Director, Controller, Department Directors, Mid-Managers and the City Board.
- **2004 Bond Project Report** – A report that identifies the original proceeds, project allocation, encumbrance, actuals/expended, balance, and percent obligated by project within each bond category. This report is distributed to the Finance Director, Special Projects Manager, City Manager, Parks Director, Building Maintenance Supervisor and the 2004 Bond Citizens Advisory Group.
- **Sister Cities Report** – A report to identify the budget, actuals/expended (as detailed line items), and the amount remaining. This report is distributed to the Sister Cities Commission.
- **Children Youth & Families Report** – A report that indicates the adopted budget,

year-to-date expenditures, available amount, and percentage expended by Project Number within Agency within Fund. This report is distributed to the Community Programs Department and the CYF Commission.

In addition, many of the departments are creating and maintaining reports that are specific to their needs. They are generating the reports in Excel from data downloaded from the DB2 database.

DOCUMENTS REVIEWED

- Comprehensive Annual Financial Report
- Single Audit Report
- Bi-Weekly Financial Report
- 2005 Street Fund Vacancy Savings Report
- 2005 Street Fund Straight Revenues vs. Expenditures
- A613 – Detailed Trial Balance sorted by Fund and then by account type
- A614 – Trial Balance sorted by Fund and then by account type.
- A103 – Expense Report sorted by Fund, Agency, Org, and then Object. Multi-year funds are listed first.
- Z103 – Expense Report sorted by Fund, Agency, Org, and then Object. This is a roll-up report of the A103 and is sorted by Agency
- Y103 – Expense report that is a roll-up of A103 and is sorted by Fund
- A400 – Expense report by Activity code.
- A203 – Revenue report sorted by Fund, Agency, Org, and then Revenue Source. Multi-year funds are listed first.
- A270 – Revenue report that shows a comparison to the budget by Fund.
- Short Term Financing Report – This report is generated from RocketShuttle.
- Expenditure Detail by Fund/Agency/Org – This is a system generated report directly from AMS.
- Outstanding Purchase Orders – This is a report prepared in Excel by way of RocketShuttle.

CONSTRAINTS

1. Only certain reports within AMS have the flexibility to be run based on a date range.
2. Depending on when data is last downloaded to DB2, users may be generating reports that is based on data that is anywhere from 12 hours to 24 hours old. Also, the extracted data generated by RocketShuttle (via DB2) may not always agree to the General Ledger. If a new account code is set up that is outside the original report parameters, and the report parameters have not been adjusted to pick up the new account, then it would create a difference. When differences exist between RocketShuttle and AMS, it requires additional time to investigate and rectify the cause.
3. One of the reasons why users prefer to run reports out of RocketShuttle, Excel and

Monarch is that perhaps those programs allow the users to format the report so the report header and data are presented in a clean and uncluttered manner. We reviewed an AMS system generated “Expenditure Detail by Fund/Agency/Org” and noted that for each detailed transaction, there are four lines to show the fully-qualified account number and three lines of subtotals. This is difficult to read and may be streamlined using a multi-dimensional account code structure and a report writer that will allow users to format how accounts numbers should be presented on the report. For further discussion on this, please refer to the “Process Improvement” section below.

4. Most departments are not aware of the reports that can be generated directly from AMS, and are therefore using RocketShuttle to run reports. If the end users utilized the full reporting capabilities of AMS, they may be able to directly extract more reports from the Financial System rather than using a separate database (DB2).
5. There is a lack of training/documentation and direction on reporting.
6. Monthly financial reports cannot be run directly from the system.

PROCESS IMPROVEMENTS

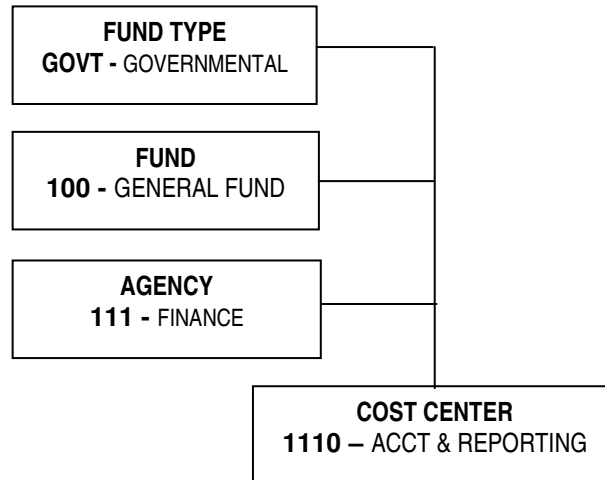
1. The City should try to fully utilize the reporting capabilities of the new system in order to eliminate the need for manual report development in Excel.
2. The City should capture all the reporting systems (including Excel spreadsheets) that are currently being maintained within the different City departments so that these reporting needs can be addressed by the new system (whether through standard reporting or customized/ad-hoc reporting).
3. In developing a new Chart of Accounts, the City should utilize a multi-dimensional account code structure that is offered by most ERP vendors. A multi-dimensional structure for the organization of the City would work like this:

Organization Structure

- The organization unit typically represents “where” an expenditure or revenue should be coded. The first thing the City should define is the lowest level of its organization unit. Since it is the lowest level, the value should be unique because it will point to various related groupings.
- The City should then define how many groupings (segments, attributes, background parts, etc.), or levels that are higher than the lowest level. Currently, the City’s Chart of Accounts has “Fund” as its highest level in the organization, followed by “Agency” and “Organization”. (Please note that Object Codes do not belong to this grouping, because we are addressing the “where” of the expenditure, whereas Object Codes represent the “what” of expenditure.). The City may decide that more organization layers are needed for reporting purposes (for example, Fund Type, which might include

Governmental, Enterprise, and Component Unit).

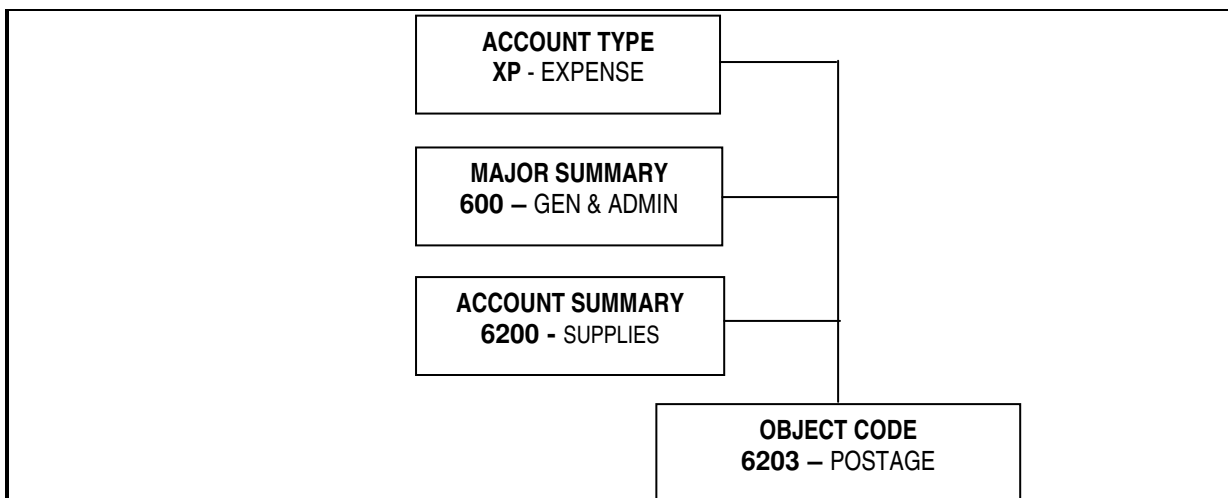
- Once all the groupings/segments/attributes/background parts have been determined, then each lowest level organization unit can be mapped to its related parts. For example, the lowest level can be tied to its specific (higher level) Fund Type, Fund, and Agency Codes. Let's say that we call the lowest level "Cost Center" and we have assigned "1110" as its value for Accounting and Reporting.



- There may be many other cost centers associated with Fund 100, Agency 111 (for instance, there may be cost centers 1111, 1112, 1113, etc.), but they will also roll up to the Agency 111 and the Fund 100, which will roll up to the Fund Type of Governmental. When the Cost Center code 1110 is entered, the system will already recognize its relationship with the specific Fund Type, Fund, and Agency that have been defined for that Cost Center without having to key in the entire fully-qualified account number

Object Structure

- The same thing could be accomplished on the Object side, which answers the "what" question. Assuming that the Object Code is the lowest level of detail that the City wishes to maintain. The City must then define how many levels of rollups are needed for reporting and budget control purposes. The following illustrates a sample Object Code hierarchy:



- Again, there may be many Object Codes that represent different types of supplies, but they all roll up to the Account Summary of Supplies, which rolls up to the Major Summary of General and Administrative, which rolls up to the highest level Account Type grouping of Expense. The system will automatically associate Object Code 6203 to its hierarchy levels without having to key in each level on the data entry screen.
 - The City is currently using Sub-Object and Sub-Revenue Codes to define categories below the Object Code level. This methodology can continue to be used within the new system. For example, within the Object Code for Travel, Sub-Objects of Airfare, Lodging, Meals, etc. could be defined.
4. The City should develop a long term training plan for its employees on how to use the new system and its report writer. Many users are either developing work-arounds for generating reports or asking the Finance Department to support the report running efforts due to lack of understanding of what the system can provide. This problem will not necessary go away with the implementation of a new system. The long term training plan should include easy-to-read desk top procedures, a list of available reports, periodic training classes for new and transferred employees and a centralized directory where employees can easily access the training material.
 5. In maintaining control over the library of reports that will be created in the new reporting software, the City should come up with policies to safeguard report security and sharing, in addition to the rights to modify, add, or delete reports. Only a selected group of individuals should be allowed System Administrator controls in order to maintain the organization and integrity of the reporting library. These may include:
 - **Additions** – When the need arises for a new report to be created, users should contact the System Administration team and explain their request (and possibly sketch out the idea for their requested report). The System Administrator can then develop the report and decide whether the report will be made available publicly, and if so, who will be able to view it.

- **Deletions** – Only limited users should have the capability to delete existing reports.
- **Modifications** – Similar to additions, any modification requests should be submitted to the System Administration team. The request will be evaluated, and if justified, either the original report will be amended or a new report will be created (using the existing report as a model).
- **Sharing** – The System Administration team will organize reports into folders based upon sharing rights. The System Administrator will decide which individuals/groups have access to each folder.
- **Security** – The System Administration team will be responsible for assigning overall reporting security to individual users and groups and for assigning read/write rights to the library of reports.

NEEDS/REQUIREMENTS

The City needs a reporting application that extends the benefit of a centralized database by providing comprehensive reports that have the ability to present information from any of the various subsystems within the database.

The report writer should have complete flexibility and adaptability to the users' requirements and should enable end users from each of the programs to run customized reports quickly and easily. Because each of the City's operations is unique, the report writer should increase the City's ability to provide customized information based on the specific needs of each program.

The new system should have a powerful, easy-to-use, click-and-drag graphical user interface that allow users to create their own customized reports with little or no technical training and allow data to be accessed, analyzed and reported on in a variety of formats. The technology should also facilitate drill-down capabilities, which will allow users to drill-down to lower levels of detail, or even source documents. Detailed requirements include:

1. The report writer should provide real-time reporting and inquiry.
2. A system that supports the creation of multiple report types, such as conditional reports, sub-reports, and drill down reports.
3. The new system should allow for graphical documentation, including bar charts, line charts, pie charts, Gantt charts, etc.
4. The system should feature a report design wizard to guide users through the report creation process.
5. Users should have the capability to view their report on screen while it is in development.

6. The system should feature a HTML preview that allows report authors to see how reports will look when published to the web.
7. The ability to perform auto saving of the report after a user-defined period of time has passed.
8. The system should provide vertical rulers and guides to facilitate report design and formatting.
9. Users should have the option to select from automatic/template report styles and the auto arrangement of report fields that have been selected to appear on the report.
10. The ability to use a click-and-drag graphical user interface to facilitate report writing.
11. The ability to setup (multiple) user defined subtotals and totals within a report.
12. The new system should enable the drawing of lines, boxes, circles, ovals, and boxes with rounded corners.
13. The report writer should provide the ability to move and resize objects and select multiple objects to format at once.
14. The system should provide font formatting by style and size.
15. The system should enable vertical text rotation.
16. Users should be able to setup horizontal or vertical page numbering.
17. The report writer should allow hyperlinks to be embedded into reports.
18. The system should allow users to redo an action and undo multiple times (to undo a series of actions).
19. Users should be able to setup report and page footers.
20. The system should provide the ability to create multiple detail sections within a report.
21. The report writer should provide automated alerts and checks that quickly find broken links, formula errors, and dependency issues.
22. The system should provide a formula editor to assist in adding formulas to the report.
23. The system should have the ability to export to XML, PDF, HTML, XLS, etc.
24. The system should allow users to create shortcut buttons.

25. The report writer should allow for unlimited sorting.
26. The system should provide the ability to customize report prompts and setup prompts based on dynamic values. This means that report designers do not have to maintain static prompt value lists within individual reports. Instead, they can reuse existing prompts stored in the repository.
27. The system should offer flexible scheduling capabilities in order to allow report generation based on events or at specific times.
28. The system should allow the System Administrator to define the number of jobs that can execute at the same time.
29. The system should allow authorized users to change the priority of their job to place it first in the queue.
30. The system should allow users to view the jobs currently being executed and the jobs waiting to be processed.
31. The system should provide details about jobs that are in the queue, such as the creator, date and time the job was created, size of job, etc.
32. The system should allow the System Administrator to purge jobs.
33. The system should allow the flexibility to create conditional rules on a report. For example, if a user runs a financial statement before the month is closed; the report will indicate "draft". If the report is run after the month has been closed, the report will not indicate "draft".
34. The new system should enable security setup for reporting. This must include restricting users from running reports on activity that is unrelated to what they do.
35. The system should provide for calculations based on report columns such as adding or subtracting from one column from another or setting up analysis/variance columns.
36. The system should allow dynamic query against multiple tables and columns and query criteria for advance users (SQL).
37. The report writer should provide the ability to report or inquire on any data field within the General Ledger or any other subsystem. Selection for a report should allow mixing and matching of either/or General Ledger and Project/Activity accounts in order to run reports.
38. The system should allow for developing customized reports that can extract information from several subsystems and produce them on the same report.
39. The system should provide the ability to copy reports and make specified changes to them without altering the original report.

40. The report writer should provide the ability to run reports on multiple years for project and grant activity. The system should accommodate running reports on a specific project or activity number for a multi-year period.
41. The report writer should have the ability to meet GAAP, GAAFR, GASB (including GASB 34) and FASB reporting requirements.
42. The system should have the ability to develop SF 272 reports to meet grant requirements.
43. The system should allow for the organization of reports (for example, in user defined folders).
44. The system should allow security definitions to allow the System Administrator to define read/write access for each report.
45. Users should be able to incorporate general information into ad-hoc reports, such as the current date, time, requestor, etc.
46. The system should come with a library of canned reports that have been specifically developed for the report writer application. These pre-developed reports should be available as a starting point to allow the users to modify and refine them to their own needs. Examples of reports may include account listings, Purchase Order status reports, AP detailed transaction listings, etc.
47. Golf, Concessions, Gift Shop, Zoo and other remote operations currently cannot run reports directly from the Financial System in order to view their daily or monthly revenues and expenditures and view variances from previous periods. The new system must provide a full set of reports for revenue generating operations.

Individuals who attended the needs assessment session:

- Sara Lenehan – Finance
- Silas Roaf – Finance
- Ward Hanna – Housing & Neighborhood Programs
- Nancy Carter - Finance
- Helen Johnson – Finance
- Sheila Farley - Police
- LaVerne DuVall – Finance
- Tammy Fimpel – Public Works
- Gay Spencer – Police
- Veolia Parks - Police
- Lisa Tatum – Courts
- Linda Walker – IT

- W.J. Monagle – Community Programs
- Rick Warfield – Parks & Recreation
- Anita Bunche – Parks & Recreation
- Glenda Massie – Fleet Services
- Joanne Dubnicka – Finance
- Don Wells – Police
- Scott Massanelli – Finance

D. BUDGET MANAGEMENT

NEEDS ASSESSMENT / REQUIREMENTS DEFINITION			
Client:	Little Rock	Functional Area:	Budget
Prepared by:	Iris McGee	Last Update:	August 12, 2005
Person(s) Interviewed:	See Last Page	Date of Interview:	July 12, 2005
<p>CURRENT PROCESS</p> <p>Budget Process</p> <p>Budget development for the City is a year round process that is centered on a calendar fiscal year. The City's fiscal year begins on January 1st and ends on December 31st. The Mayor and the Board of Directors vest the responsibility for preparing an annual Operating Budget with the City Manager. The City Manager's Office then oversees the actual development of the Budget, which is the responsibility of the Finance Department. The City Manager must then submit the budget to the Mayor and the Board of Directors for their review and adoption.</p> <p>Each budget must consist of several parts: the expense budget, which sets forth proposed appropriations for the operating expenditures for municipal services including debt service; the capital improvement plan, which sets forth proposed appropriations for capital projects for the ensuing fiscal year and the four succeeding fiscal years; and the revenue budget, which shall set forth the estimated revenues and receipts of the City.</p> <p>The City is required to maintain a balanced budget pursuant to State Law. The budget is prepared in accordance with generally accepted accounting principles and uses the same basis of accounting as the City's audited financial statements. The City is currently working towards developing budgets on an accrual basis.</p> <p>The final budget must be adopted no later than December 30.</p> <p>Expense Budget</p> <p>The expense budget is a fiscal plan to finance the operation of the City. It sets out the amounts of money the City expects to spend in the next year for ongoing operational expenses. These amounts are appropriated to individual Divisions within Departments within Funds by the City Manager and the Board of Directors in the budget adoption process. In addition to operating expenses, the budget also includes amounts which must be allocated for repayment of interest and the City's debt. The expense budget is separated into four appropriation categories: Personnel, Supplies, Contracts and Capital. These appropriations are budgeted by Division and Object Code.</p> <p>The expense budget is intended to serve the dual functions of budget control and position</p>			

control. Budget control involves assuring that a Department Director does not overspend the dollar amounts specified by the City Manager and the Board of Directors for particular purposes. Position control involves assuring that only the authorized number of positions is filled and that City employees are paid at specified rates. The City Manager submits to the Board an expense budget with supporting schedules which provide a greater level of detail of the items to be funded through the expense budget.

The Operating Budget is the total amount of funding that the City has been appropriated by the Mayor and the Board of Directors to perform its mission. and is structured into levels, which provide varying layers of detail. The first level of detail is the Organization, which is the organizational unit within an Agency that has a manager who is responsible for the activities of the unit. Above the Organization level is the Agency, which is typically overseen by a Director (for example, Finance is an Agency and it is overseen by the Finance Director). The final level is the Fund level, which shows budgeted revenues and expenses across an entire fund (for example, the General Fund includes Finance, HR, Information Technology, and many other Agencies).

During the budget preparation process, the City Manager will send letters to outside agencies to obtain their estimated funding requests for the upcoming year. These agencies include the Arkansas Arts Center, Arkansas Museum of Discovery, Arkansas Repertory Theatre, Arkansas Symphony Orchestra, Ballet Arkansas (which has not been funded since 2002), Central Arkansas Transit Authority, Chamber of Commerce, Downtown Partnership, Metroplan, and the Sister Cities Commission (which is a special project). The funding request is included in the City's budget in a non-departmental division within the General Fund. For most of these agencies, the City will remit 1/12 of the annual budget each month; however, the agencies are not required to submit a monthly financial report to the City.

Capital Improvement Plan

The capital budget is presented as part of a five year capital program. The first year of the capital program represents the level of capital spending planned for the upcoming fiscal year, while the remaining four years of the capital program are a projection of the spending necessary to complete each project in the capital budget, and to fund new projects anticipated in the following four years. Capital improvement projects are defined as infrastructure or equipment purchases or construction that results in a capitalized asset costing more than \$5,000 and a useful life of two years or more. It provides funding for purchasing property, the construction of facilities and improvements of existing facilities.

Projects included in the Capital Budget are financed several ways:

- Budget outlays.
- Short-term financing that is supported by General Fund revenues.
- Revenue Bonds supported by specific fees.
- Grants.
- General Improvement Bonds supported by Sales or Property Tax with voter approval.

Purchasers of bonds lend the City money for set periods of time. The bond proceeds are dedicated to the current costs associated with ongoing capital projects. The debt owed by

the City on the interest and principal due on outstanding bonds is paid from money appropriated each year in the expense budget; this appropriation is referred to as the "debt service".

The City capital budget in recent years has been reduced and projects have had to compete for scarce funding. Capital improvements are listed in two sections. The first section includes funding from the Infrastructure fund, 1988 Capital Bond Project fund, 1995 Capital Bond Project fund and 1998 Infrastructure Bond fund. These projects are multi-year projects. The remaining balances are authorized for street and drainage improvements, park improvements, Zoo improvements and fire equipment. Impact on operating costs is expected to be minimal.

The second section represents the capital improvements approved by Little Rock voters on November 4, 2003. These capital improvements are scheduled to be completed by 2007. On-going operating costs were considered in determining the capital items to be included in the bond election.

Revenue Budget

The City derives revenues from a variety of sources including sales tax, property tax, other local taxes, user charges and miscellaneous revenues. Sales taxes represent the largest source of revenue and accounts for approximately 51.77 percent of total revenues. Franchise fees account for the second largest source of revenues at approximately 20 percent.

Revenues are budgeted at the Fund level and are projected for five years by the Treasury Office. Information for the upcoming year is submitted to the Budget Office and is incorporated into the Operating Budget

Project Budget

The City's Budget System does not maintain any project budgets for its grants or special projects nor does it utilize Activity Based Budgeting (ABB) on an enterprise wide basis. Certain departments do track their detailed Project/Grant information manually using Excel, while others, such as Streets utilizes Management Information System (MIS) database to track activities such as the annual cost of cubic yards of asphalt, patching potholes, hand ditching, backhoe ditching, etc.

More discussions on the tracking of project budgets under the "Grants & Special Projects" section.

Budget Amendments

Amendments to the Adopted Budget that are under \$50,000 necessitate approval by the City Manager. Amendments over \$50,000 must be approved by the Board of Directors.

At year end, the Finance Department runs an encumbrance carryover utility program to close out open encumbrances and to re-open them in the upcoming year. The budget is

automatically adjusted to reflect the carryover. These carryover encumbrances become the first budget amendment.

Detailed Budget Steps

Each year, the Budget Office follows a series of steps to develop a budget for the new fiscal year within the AMS system. These steps include:

1. The previous year's budget will be copied as a base to begin the new year's budget.
2. Personnel information is downloaded from the HR system to the Budget system.
3. The Budget Office will update the existing full-time position information to reflect the changes for the upcoming fiscal year. This may include:
 - **Excluding a Position:** If a position is not to be carried forward to the next year, then the Budget Office will update the Position Screen to exclude that position from the budget. They will enter an effective date of January 1st of the next year and indicate "E" in the Include/Exclude from Budget field.
 - **Creating a New Position:** If a new position is to be budgeted for, then the Budget Office will contact HR in order to obtain the next available position number (otherwise a dummy position number will be assigned). In order to add a new position within the system, the Position Screen will be updated with the position code, Fund number, Agency number, Department number, Union number, Title Code (three digit code provided by HR), Grade, Effective Date, Include/Exclude in Budget flag (set to "I"), and the Number of Positions Budgeted field. The Department Manager will estimate a salary for the position and HR will then evaluate the estimate and assign a salary range to the position. If the position is a new vacant position, the Budget Office will enter the position at mid-range salary. (If a new position needs to be created that is similar to one that already exists, the existing record will be pulled up on screen and only the Position number, Fund, Agency, Division, and Union information will need to be updated to create the new position)
4. The Payroll Office will update benefit information.
5. The Budgeting Department will update budgeted part-time, overtime, and other non-full-time related pay information on the Budget Lump Sum Entry screen. Each classification of salary (other than full-time) will be entered into the budget as a lump sum for each Department. For example, a lump sum of \$50,000 may be allocated to Accounting & Reporting for the entire year for part-time services.
6. The Budget Office will then assign salary percentage increases for the different position groups (union and employee). (If a percent and dollar increase are entered, the system will allow the higher of the two). If the Union or employee group has a step defined, then an increase amount does not need to be defined.
7. Budget Model Detail reports will then be run by Organization (within Agency within

Fund) by the Budget Office.

8. Each department will then go into the Budget Expense by Department screen in order to update their department's expense line items for the new year (they are restricted to only accessing their own department's budget). The Departments should only add or subtract dollar amounts from objects codes (so that the net change is zero and increase only those object codes that have been identified in the budget instructions. Departments cannot adjust any line items that have object codes of 4070-4075, 2060, or that start with a 1.
9. The Budgeting Office will update the line items for all 4070-4075 and 2060 Object Codes (for all departments) based on the budget information received from Fleet Services.
10. Adjustments can be made to transfer budgets (TB) or to change appropriations (EB).
11. The Budget Office will roll personnel information and adjustments to the budget.
12. Budget Model reports can then be generated by Agency, Department, or Fund.
13. Inquiries can be run online from the system to view Approved Amounts, Modified Amounts, Expended Amounts, and Unobligated Amounts based on Division and Object Code or Division and Appropriate Unit. Appropriation Units include:
 - 11001 - Personnel (all object codes that begin with a 1)
 - 11002 - Supplies (all object codes that begin with a 2-5)
 - 11003 - Contracts (all object codes that begin with a 6)
 - 11004 - Capital Outlay (broken down into: capital outlay operating equipment - all object codes that begin with a 7 AND capital outlay structures – all object codes that begin with an 8 or 9)

Budget Calendar (sample for 2006)

June 30	2006 Personnel Model distributed to departments.
July 8	Finance Director sends letters to Outside Agency for 2006 funding requests. Response deadline is August 5.
July 22	Departments complete 2006 Personnel Model review - changes reported to Budget Office. 2006 Fleet projections submitted to Budget Office.
July 29	Departments review special project balances and status. Finance Director distributes 2006 Budget instructions memo.
August 10	Budget Officer completes user Budget Training. Human Resources provides 2006 benefit estimates.
August 12	Finance Director updates financial trends; considers new revenue options. City Manager reviews Outside Agency Requests.

	City Manager develops FUTURE – Little Rock funded programs for 2006.
August 19	Departments finish data entry into the Budget Model. Departments submit operating and capital budget requests. Departments submit revenue estimates, proposed rate adjustments, and new fee proposals. 2006 Personnel Model completed and posted to Budget Model.
August 23	City Board Budget Workshop
August 26	Budget Office verifies budget requests.
Sept. 7-23	City Manager and Finance Director review departmental budget requests.
Sept. 23	Budget Model updated with near final 2006 benefit estimates.
October 7	Draft budget distributed to Board of Directors.
October 11	City Board adopts 2006 mill levy ordinance and utility franchise ordinances. City Board of Directors considers policy issues and revenue projections.
October 12 - 28	Public Budget Information Meetings held.
November 8	City Board Budget Workshop
November 15	City Board Budget Workshop (If needed)
November 29	City Board Budget Workshop (If needed)
December 6	City Board of Directors adopts 2006 Budget ordinance and revenue rate adjustments.

DOCUMENTS REVIEWED

- 2005 Annual Operating Budget
- Year 2005 Operating Budget – 1st Quarter Ending March 31, 2005
- 2005 Personnel Costs
- FY05 Budget versus Actual – July 1
- Vacation and Sick Payoff 2005
- Vacancy Report – July 1
- N180 Report
- Budget Instructions
- Budget Calendar for FY 2006
- General Government Budget Process
- General Five Year Forecast
- Various screen prints from the AMS Budget system

CONSTRAINTS

1. Most of the current reports are being generated from RocketShuttle, which is a

separate Query and Reporting program from AMS. Information is downloaded several times a week to an independent DB2 database, from which end users generate their reports using either RocketShuttle or Excel. Based on the timing of the last time data is downloaded to DB2, users may be generating reports based on data that is anywhere from 12 hours to 36 hours old. Also, the extracted data generated by RocketShuttle (via DB2) does not always agree to the General Ledger. If a new account code is set up that is outside the conversion parameter, then a difference could exist. When differences exist between RocketShuttle and AMS, staff has to take the time to investigate the causes.

2. The current system does not accommodate multiple budget models, as a result, the City does not have the capability to develop more than one budget version at a time. This has equated to creating more work for the Budget Office. For example, when working on next year's budget, the Budget Office will make the necessary changes in AMS from an electronic download file received from the HR System. If the Budget Office receives another download file from HR, the new file will wipe out all the changes that the Budget Office has made. If the Budget Office has already made the necessary changes to the current file (such as an update to the number of positions in a department), then that information will be overwritten. This situation requires the Budget Office to separately track any modifications that they may have made to the original file in order to re-enter those changes each time a revised file is received.
3. Budget Checks - Although AMS does accommodate budget checking at the Object Code level, the City has opted to turn this feature off. The City's budget was not accurate on a line item basis, so one of two things would occur: 1) departments would code expenses to another line item, thereby destroying the usefulness of historical information, and 2) the Finance Department was spending a lot of time approving the expenditures via budget overrides. Another factor that contributed to this decision is the level at which the departments are expected to monitor their budget. Since they manage their budget at the grand total level and are expected to come in at or below the entire departmental budget, line item budget control became meaningless under this environment.
4. Security /Control
 - a. The current system enables users to re-activate a previously inactivated account under a different name and for a different reason. When this occurs, the historical data for this account is no longer accurate as it now contains information for two different account codes. This custom of re-using account numbers could be caused by the fact that the current system is running out of numbers to use. Once an account code has been inactivated, the system should not allow the users to re-open it and use it for another purpose.
 - b. Because the City is currently operating in separate stand-alone systems, when a new account is created, it needs to be created in multiple systems (i.e.: Financial, HR and Payroll). The requesting department initiates the request by making a phone call to the Finance Department. If there is a failure in communication, then one system will be updated while another

system will not. Entering the same account information in multiple systems creates opportunities for data entry errors.

5. There is no interface between the Budget System and Position Control. When the Budget is adopted, the Budget Office cannot roll the information into the HR system. Budget adjustments and the new adopted Budget have to be input manually because the City does not have a workable method to upload from AMS to HR.
6. There is no interface between the Budget System and Fleet Management. Budgeted fleet information is done in Excel to allocate fleet costs down to the department level. The information has to be manually entered into the Budget System.
7. Forecasting – The system does not accommodate “what if” scenarios where amended budgets or actual expenditures from a prior year can be used as a base from which to calculate future budget scenarios. It also does not provide a place to record budget justification, leaving no trails in the system to track reasons behind why a particular budget line item was initiated.
8. Allocations – Allocations are manually calculated first and then entered into the Budget System. This process may be automated by the new system, whereby calculations are performed automatically based on user-defined rules.
9. Budget Trends – Within certain departments, spending fluctuates from month to month throughout the year. In order to have a more meaningful comparison between actual to budget, it may be more accurate to use historical trends than a flat year to date budget. The Budget team expressed the desire to add an extra column on the Bi-Weekly financial report showing a year to date budget based on historical trend as well as the true year to date budget based on the Adopted Budget.
10. Training – One of the reasons that the employees at the City are very reliant on RocketShuttle and Excel to generate reports is that they are not aware of the available standard reports in AMS. This seems to be more of a training issue than a system constraint.
11. Users rely heavily on the Budget Office to help them with budget preparation and to answer other budget related questions during the budget development process. Although the Budget Office offers a budget preparation class in August of every year, not everyone shows up for the training.
12. The individual departments do not perform too much budget analysis as they mostly rely on the budget instructions given by the Budget Office. This lack of analysis could be caused by system constraints (i.e.: no budgeting modeling tools or line item budget capabilities).
13. Delays in generating certain reports are caused by the fact that it takes the Finance Department fifteen (15) business days to close out the previous month, certain reports, such as the N180, cannot be generated for the previous month on a timely basis. For instance, during our interview with the Budget Team, a team member obtained the May N180 report during the month of July.

14. Vacancy Reports – Twice a month, the Vacancy Report is sent to each department for review and to reconcile between vacant and filled positions. Because there is no interface between HR and AMS, if a department and/or HR does not communicate to the Budget Office about a filled position, then the Budget Office will continue to take money out of the department.
15. The current Budget System does not provide the functionality of creating Activity Based Budgets (ABB) or Performance Based Budgets. In addition, it does not allow the users to create multi-year Project or Grant budgets.
16. The system does not provide drop-down menus to allow the user to select from a list or perform a lookup. For example, if the user was performing an inquiry, he/she would need to know the Fund Code, Agency Code, Org Code and Object/Revenue/Balance Sheet Code beforehand. Established users may be familiar enough with the account structure to be able to input account information from memory, but new users would have to constantly refer to a printed list of Fund, Agency, Org, and Object/Revenue/Balance Sheet account codes.

PROCESS IMPROVEMENTS

1. Once the City implements a new system, a central database should be used to generate reports to avoid data extraction differences caused by conversion rules, timing and other factors. If the selected new system does not offer its own report writer, then the City must establish application standards to ensure that everyone in the City is using the same reporting tools.
2. The City should use budget control features offered by the new system to enforce authorized allowable spending. The level of budget control can be user-defined and could occur during processing of Purchase Requisitions, Purchase Orders, Invoices and Journal Entries. The City may also control the budget at the Object Code, Object Summary or any other level that makes business sense for the Development Managers.
3. Under a new system with comprehensive budget functionalities, the departments may want to consider performing more budget analysis, since they are more familiar with their respective programs/projects/functions and would be in a better position to identify upcoming fluctuations, trends and issues.
4. Currently the Finance Department prepares Biweekly Financial Reports in Excel and distributes to each department, but these reports are not necessarily being reviewed by all the managers. Each department head should be accountable for any overspending and provide explanations for unusual variances that appear on their budget reports.
5. Controls should be established to prevent departments from spending out of other departments' budget. Security at the database level can be defined so that a user from one department does not have access to the data of another department.

6. Under the new system, security should be defined to restrict users from entering an account code once the account has been flagged as inactive in the system. If there is a need for a new account code, it must be a unique number in the system, so the historical data will not be impacted.
7. The responsibility of creating a new account code should be centralized. In addition, the City should establish formal procedures for requesting and approving new account numbers. For instance, the requestor must justify the need for a new account number and then obtain his/her Department Manager approval before submitting the request to the Finance Department. It is then the responsibility of the Finance Department to review the request and to ensure that there are no similar accounts that can be used in the current Chart of Accounts. These approval processes will provide better internal controls and result in stream-lining the Chart of Accounts.
8. The City should take advantage of a new system's budget preparation tools. To the extent possible, budget analysis, budget line items, allocations, transfers, justification, etc. should be done in the system rather than in an Excel spreadsheet in order to leave a better audit trail.
9. Since the spending pattern for some of the departments vary greatly from month to month or are quite seasonal in nature, the City may want to consider using actual monthly estimates to come up with the monthly budget rather than taking the annual Adopted Budget and divide it by 12 months. This will result in a more meaningful budget to actual comparison.
10. The City should develop a long term training plan for its employees on how to use the new system. For example, some of the staff has developed work-arounds for generating reports by using third party query tools when in fact, the reports they need may already be available in the current system. This lack of knowledge is caused, in part, by the fact that they were not here when AMS was implemented. The long term training plan should include easy-to-read desk top procedures, list of available reports, periodic training classes for new and transferred employees and a centralized directory where employees can easily access the training material. Any time there is an upgrade to the software, desk top procedures and training manuals should be revised to reflect the changes.
11. The Department Managers should be notified whenever anyone from their department is required to attend a training class. If the employee is not able to attend the class, he/she should obtain manager approval first. It will be easier for the City to monitor training attendance and determine if any follow up classes need to be rescheduled.
12. The Finance Department should take an inventory of all the month end adjusting journal entries and closing procedures to determine which ones will be eliminated once a more integrated system is implemented. Shortening the closing process will allow the Finance Department to issue monthly and quarterly reports to the Board on a timelier basis.

13. The City should utilize project budgeting capabilities in the new system. Currently, this task of tracking project costs against a project or grant budget is done manually in Excel, which requires more data manipulations and create opportunities for human errors. Once a project budget has been established and current year funding is made available in one of the Special Revenue Funds, then it would be a great management tool if a multi-year or inception to date budget could be tracked by the City.
14. In addition to its traditional cost-based Operating Budget, the City should adopt ABB, a method of budgeting in which activities that incur costs in each function of the City are established and relationships are defined between activities. The purpose of ABB is to show the connection between the resources the City plans to incur and the benefits it plans to obtain. This would provide senior management with a vehicle to make allocation decisions. The budget decision-making processes can then focus on maximizing outputs critical to the success of the various operations of the City. In order to implement ABB, the new system must be able to accommodate detailed activities in its budget module. Each program office within the City must determine the customers (the public, other government organizations, or other program areas within the City) they serve. These program offices must then identify what their customers expect to receive from them. Once these outputs are identified, the City will be able to determine the activities required to produce the outputs. Activities, in this case, represent processes that consume the City's resources, such as time and money. In summary, the goal of the City should be to identify the activities that must be performed to produce critical outputs and then determine the level of resources and the funding level that must be committed to successfully complete the activity. Some of the possible departments that could benefit from ABB are listed below:
- River Market and other Enterprise Funds – Enterprise Funds are treated like private businesses with distinct customers and revenue stream. Using ABB will help management maximize net income and create more efficiency.
 - Large Construction Projects – Large projects whose performance needs to be broken out further in order to identify efficient and inefficient points. For example, if there is a project to pave a long street, the City may treat each block as a separate activity.
 - Public Works Operations – Currently the Public Works Operations is using their own system, MIS, to track costs such as patching potholes, amount of asphalt used, hand ditching, etc. However, when they want to compare the cost to the budget line item, they need to look at the budget report generated from AMS. MIS also does not interface with AP; therefore material cost information in MIS has to be manually entered. The City may want to use ABB for this department and then create an interface between the new ERP system (Budget, AP, Purchasing, Payroll, etc.) and MIS, so management only needs to look at one set of data.
 - Grants – Grants whose benefit to the City can be quantified would be another good candidate to use ABB. For instance, the City would be able to track exactly how many homeless people a particular grant has benefited. This would be a

valuable statistic to justify getting similar grants approved in the future. Like wise, if the amount of the grant does not cover actual expenses, the City would be able to pro-actively allocate resources from elsewhere or go back to the funding agency for a possible amendment. Without the use of ABB, the City would be in a more reactive mode and possibly incur budget overruns.

- Warrants – Warrants are either served by an outside collection agency or by internal Police personnel when they are on overtime. This Overtime Pilot Program was created because the outside collection agency charges a substantial amount for their work and is not too effective in serving the warrants. ABB will assist management in making the decision to use internal or external resources to perform this function to maximize benefits to the City.

NEEDS/REQUIREMENTS

1. The new system should enable security setup not only at the functional level, but also at the database level in order to restrict users to only entering transactions that relate to their own department. In this way, users will not be able to spend from another department's budget.
2. The new system should allow end users to produce customized interim and final budget reports. Data should come from a central database.
3. The new system should integrate the Position Control, Payroll and any other system which currently feed information into the Budget System. This will reduce duplicate keying efforts and ensure the integrity and accuracy of data.
4. The system should allow for budgeting on both the General Ledger and the Activity/Project Ledger.
5. In addition to supporting monthly, quarterly, and annual budgets, the system should also provide the capability to prepare inception to date budgets for those grants and projects that have multiple years or that cross over the City's fiscal year.
6. The system should allow for multiple budget versions.
7. The system should have the ability to create or amend budgets based on models.
8. The system should provide warnings or blocks if the transaction causes a budget overrun.
9. The system should maintain budget change/adjustment logs.
10. The system should have the ability to create future budgets based on existing budgets where the change to each budget line item is not the same. The system should allow for a unique +/- of a dollar amount or percentage on each line item in order to calculate the new budget.
11. The Budget System should have the ability to flag budgets at different levels, such

as at the Object level (line item level), Object Group level (to ensure that the budget has not been exceeded for an Object Group, such as Office Supplies), and at the Organization level (to ensure that the sum of transactions does not exceed a department's total budget).

12. The system should have the ability to allocate/distribute budgets to various levels within the organization.
13. The system should allow for copying budgets.
14. The system should allow for the addition of narrative information in relation to the department's budget in order to define general information, goals and objectives, justifications, and performance criteria within the department.
15. The system should allow for line item and sub-line-item budget justification and explanation.
16. The system should provide different options of carrying over open encumbrances at year end. For example, the City may want to choose the option to create another budget version in the ensuing year that is separate and apart from the Operating Budget. The system would then be able to differentiate expenditures that are either incurred against the current year Operating Budget or against the prior year budget. This way, open encumbrances would not have to be re-budgeted and the City would have a true picture of operating revenues and expenditures for the year.
17. The new system should feature pull-down lists and lookup features on fields.

Individuals who attended the needs assessment session:

- Lisa Cruse – IT
- W.J. Monagle – Community Programs
- Silas Roaf – Finance
- Richelene Harris – Parks & Recreation
- Tammy Fimpel – Public Works
- Carroll Hargrove – Zoo
- Glenda F. Massie – Fleet Services
- Darryl Syler – Fleet Services
- Veolia Parks - Police
- Tony Bozynski – Planning & Development
- Don Wells – Police
- Bill Henry – Public Works
- Ward Hanna – Housing & Neighborhood Programs
- LaVerne Duvall – Finance
- Stacey Witherell – HR

E. ASSET MANAGEMENT

NEEDS ASSESSMENT / REQUIREMENTS DEFINITION			
Client:	Little Rock	Functional Area:	Asset Management
Prepared by:	Iris McGee	Last Update:	August 17, 2005
Person (s) Interviewed:	See Last Page	Date of Interview:	July 13, 2005
<p>CURRENT PROCESS</p> <p>Capitalization Policy</p> <p>In general, fixed assets are defined as assets with a useful life of a defined period of time, and having a significant value per individual unit. The City maintains capital and non-capital assets in the Fixed Asset System. Capital assets must have an original cost of at least \$5,000 and a useful life of more than one year. In order to qualify as a non-capital asset, the item must either have an original cost of \$1,000 or more, be purchased with grant funds, or be related to bond proceeds. Some items purchased with grant funds and most items purchased with bond proceeds must be tracked, regardless of the cost.</p> <p>Property Accountability</p> <p>Accountability for all assets purchased with Federal and State awards rests with the City Manager.</p> <p>Department Directors who use Federal or State funds to acquire assets are responsible for adhering to Federal and State guidelines, as well as the City's policies. Department Directors must maintain equipment in serviceable condition, prepare documents required to record assets in the City's Fixed Asset System, transfer equipment, supervise and certify authenticity of the annual physical inventory and be accountable for any missing equipment.</p> <p>The City Controller maintains citywide inventory records, coordinates physical inventories and reports periodically on inventory status.</p> <p>The Fixed Asset Accountant reviews expenditures each month to ensure that all capital and non-capital items are entered into the system. Once a month, the Accountant also reconciles the Enterprise Fixed Asset account balances in the General Ledger with the amounts in the Subsidiary Ledger. Reconciliation of the General Fund Accounts (GFA) balances are reconciled to the Subsidiary Ledger on an annual basis</p> <p>Inventory Report/Classifications</p> <p>The inventory report has the following columns:</p>			

- Report – The unique report number for the inventory report.
- Fund – The code that designates the Fund that the asset belongs to.
- Funding Source – The code that designates what Fund purchased the asset.
- Agency – The Department number that the asset belongs to.
- Organization – The code that designates the Division the asset belongs to.
- Location – A code that identifies the location of the asset.
- Type – The classification code for the type of asset.
- Fixed Asset Number – The tag number that has been assigned to the asset.
- Date – The date the asset was placed into service.
- Life – The useful life of the asset.
- Asset Value – Two columns are defined (one for values under 5K and the other for values over 5K) that distinguish capital from non-capital assets.
- Condition Code – Indicates the current working condition of the asset.
- Serial Number – Indicates the serial number of the asset.

Asset Types

The following types of assets and accounts are used by the City to track its capital assets:

General Fund Accounts (GFA) and Enterprise Fund Accounts:

ASSET TYPE	ACCOUNT
B – Buildings	1996
I – Land Improvements	1990
L – Land	1997
V – Vehicles	1999
E – Equipment	1998
C – Construction in Progress	1900
I – Infrastructure	Not yet assigned

ACCUM DEPRECIATION	ACCOUNT
B – Building	2001
V – Vehicles	2003
E – Equipment	2002
I – Infrastructure	Not yet assigned

Landfill uses all of the above mentioned accounts in addition to:

ASSET TYPE	ACCOUNT
B – Landfill Cell 1	1991
B – Landfill Cell 2	1992
B – Landfill Cell 4	1993
B – Landfill Facility	1994

ACCUM DEP – LANDFILL	ACCOUNT
B – Landfill Cell 1	2005
B – Landfill Cell 2	2007
B – Landfill Cell 4	2008
B – Landfill Facility	2004

Each Landfill “cell” has to have its own depreciation and accumulated depreciation because the calculation is based on how much trash is collected and how much each cell has filled. Currently, there are only two cells in operation; Cell 4 and Landfill Facility.

Costs Associated with Capitalized Assets

Capitalized asset costs include all expenditures to ready an asset for its use, including but not limited to: professional services, appraisals, title insurance, title searches, site preparation, ground testing, architectural, drafting, designing, development, labor, landscaping, demolition, initial training, “upfitting” to vehicles, construction, reconstruction and remodeling, capital leases, and landhold improvements.

Acquisitions

- **Land, Land Improvements, Buildings, Vehicles, Equipment**

The creation of a new asset in the system is prompted by the department who originates the request for the item/service. Once an asset is received, the department completes a “Newly Acquired Property Information Sheet” for property or an “Equipment Receipt Form” for equipment/vehicles, which identifies the new asset. This form is then forwarded to the Fixed Asset Accountant, who will update the Fixed Asset system.

If the asset was properly coded to a fixed asset object account by the requesting department, then a “shell” record is created automatically by the system when the invoice is paid. The shell record consists of a transaction date, Fund/Agency/Org/Activity/Object account, vendor code, vendor name, asset description, and the accounting period. The Fixed Asset Accountant would then complete the fixed asset record by filling out the remaining information and assigning

an asset number.

The system will automatically book the following entry to the GFA assets:

DR GFA - Fixed Asset Account
 CR GFA - Equity Account

The system does not automatically book a journal entry to capitalize Enterprise Fund assets. The Accounting Office will prepare a journal entry to move Enterprise Fund assets from their expenditure accounts to the corresponding fixed asset accounts on the General Ledger.

- **Landfill**

Landfill information is maintained in an Excel spreadsheet. Each month, Accounting updates the spreadsheet based on information contained in a Landfill Report (such as how much waste was deposited, how much money was earned from citizens paying to drop off refuse, etc.)

- **Construction in Progress (CIP)**

Expenses related to construction in progress are maintained in an Excel spreadsheet. For Enterprise Fund assets, the Accounting Office identifies any expenses related to new or existing CIP and then updates the Excel spreadsheet. Once construction has completed, the assets are entered into the Fixed Asset System. For Governmental Fund assets, an Excel spreadsheet is maintained to track CIP, but it is only updated on an annual basis. (The prior year's spreadsheet is also analyzed at that time in order to identify items that may have been completed).

A journal entry is prepared to record CIP to the General Ledger for Enterprise Fund assets on a monthly basis. CIP is updated for Governmental Fund assets on an annual basis.

- **Infrastructure**

Infrastructure assets are maintained in an Excel spreadsheet. They are not entered into the Fixed Asset System or recorded in the GFA at the current time. They are appropriately recorded as Infrastructure on the CAFR.

- **Seized Money Fund Assets**

The Seized Money Fund is a funding source within the Police Department. Seized Money Fund assets are manually booked each month. These assets are usually detected by the Finance Department during month end bank reconciliations. Assets over \$5,000 are entered into the Fixed Asset system as capital assets and items over \$1,000 are entered into the system for inventory tracking purposes.

Renovations/Improvements

Renovation costs or improvement costs are capitalized if they significantly improve the

asset's productivity or extend the economic useful life of the asset. Costs that do not meet these criteria are expensed as repair and maintenance.

Departments are to notify the Finance Department of any renovations/improvements to existing assets. The Finance Department will add any additional value and/or useful life to the original asset in the Fixed Asset System and book a journal entry to capitalize improvement costs for Enterprise Fund assets. The system maintains a history of the transactions related to the asset, which allows the user to view the original acquisition cost and any additional amounts that were added to the asset. The total cost of the asset will then be used to calculate depreciation.

The system will not automatically book a journal entry to capitalize the renovations/improvements for Enterprise Fund assets. The Accounting Office will prepare a journal entry to reclassify the expenditure to the correct fixed asset account on the General Ledger. The system will automatically book the necessary entry to debit the asset account and credit the equity account in the GFA for Governmental assets.

Depreciation

The City's capital assets are depreciated on a straight line basis (dividing total asset cost by estimated useful life) with an assumed salvage value of 10%.

Each month, the following entries are automatically posted to the General Ledger for Enterprise Fund assets:

DR Enterprise Fund – Depreciation Expense
 CR Enterprise Fund – Accumulated Depreciation

Enterprise Fund depreciation is reconciled from the General Ledger to the Subsidiary Ledger each month.

No depreciation is booked to the General Ledger for Governmental Funds.

Depreciation on landfill assets is based on tonnage and is calculated manually in Excel. Each month, the Fixed Asset Accountant receives an updated paper report via in-house mail from the Landfill Department. This report contains information on the use of the landfill, such as how much waste was deposited, how much money was earned from citizens paying to drop off refuse, etc. These figures are entered into the Excel spreadsheet and the monthly depreciation is calculated through formulas on the spreadsheet.

There are currently 40 useful life asset classifications.

Transfers

Equipment acquired with Federal or State grants may be transferred from one department to another, provided both departments have projects or programs that are consistent with those authorized by the original funding agency.

When the fixed assets inventory report is distributed to different departments, they will identify any location updates that need to be made to the Fixed Asset System. The department will identify where the asset is currently located and note the location on the inventory report. The report will then be returned to the Finance Department, where the Fixed Asset System will be updated.

On a regular basis, each Department Director will provide the IT Director with a list of computer equipment that is no longer needed for grant purposes. The IT Director shall determine the best use of the computer equipment and prepare a "Property Control Record" to move the computer equipment from one department to another. If it is determined by the IT Director that the computer equipment should be disposed, then the IT Director will notify the Purchasing Manager, who will prepare the "Property Control Record" for disposition and the Grants Manager, who will ensure Funding Agency regulations are met. (If the asset has a fair value of at least \$5,000, the funding agency has a right to a proportionate share of the current fair market value).

The current form contains the following fields:

- Requestor Name
- Requestor Phone Number
- Date
- Fixed Asset Accountant Name
- Fixed Asset Number
- Fixed Asset Description
- Fund and Org Number
- Identification of the reason for the transfer
- Signature of the Initiating Department
- Signature of the Receiving Department

Once entered into the financial system, the transfer will trigger the following automated postings to the General Ledger:

The system will first record depreciation which has not been booked since the last depreciation run. For Enterprise Funds, this would be a debit to Depreciation Expense and a credit to Accumulated Depreciation. (An adjustment for Governmental assets does not need to be booked).

If the asset is being transferred from an Enterprise Fund to a Governmental Fund, the system would book the following entries:

DR Enterprise Fund – Accumulated Depreciation
DR Enterprise Fund – Gain or Loss

CR Enterprise Fund – Fixed Asset Account

DR GFA – Fixed Asset Account (at the net book value)

CR GFA – Equity Account (at the net book value)

If the transfer of ownership is within the Governmental Funds, no entry would be made.

If the transfer is from one Enterprise Funds to another, the following entry would be booked:

DR Original Enterprise Fund – Accumulated Depreciation

DR Original Enterprise Fund – Gain/Loss

CR Original Enterprise Fund – Fixed Asset Account

(to remove the asset from the Old Fund)

DR New Enterprise Fund – Fixed Asset Account

CR New Enterprise Fund – Accumulated Depreciation

CR New Enterprise Fund – Contributed Capital

(to recognize the asset in the New Fund)

Dispositions

The process of disposing, discarding, or retiring an asset from the existing fixed assets inventory also ties into the physical inventory process. Departments will review their inventory report and identify any assets that need to be retired from the Fixed Asset System. They will complete a “Property Control Record” form to officially record the retirement and return the form to the Finance Department. The system will automatically post entries to the General Ledger if the asset belongs to an Enterprise Fund.

Stolen items must have a copy of the police report attached to the “Property Control Record”.

When an asset is missing, the Department Director is required to sign off on the inventory report. Department Directors are responsible for missing assets.

Disposal records are created with the following information:

- Fixed Asset Type
- Fixed Asset Number
- Disposal Date
- Disposal Authorization
- Disposal Method

The current form contains the following fields:

- Requestor Name

- Requestor Phone Number
- Date
- Fixed Asset Accountant Name
- Fixed Asset Number
- Fixed Asset Description
- Fund and Org Number
- Identification of the reason for the disposal
- Signature of the Initiating Department
- Signature of the Receiving Department (Finance)

Items with a fair value in excess of \$5,000 that are no longer needed by the Federal or State program may be retained or sold with the funding agency having the right to a proportionate share (percent of funding agency's participation in the cost of the original project) of the current fair market value.

Once a disposition is entered into the system, automatic entries will be posted to the General Ledger to zero out the asset and depreciation values, record the gain or loss on the sale, and to reverse revenue (assuming a journal entry was prepared to debit cash and credit revenue).

The system will first record depreciation which has not been booked since the last depreciation run for Enterprise Funds.

The system would also book the following entries for the Enterprise Fund assets (assuming that Cash has already been booked against the Sale on Fixed Asset Revenue account):

DR Enterprise Fund – Sale of Fixed Asset Revenue
 DR Enterprise Fund – Accumulated Depreciation
 CR Enterprise Fund – Fixed Asset Account
 CR Enterprise Fund – Gain/Loss

For Governmental Fund assets, the system would book the following entries:

DR GFA – Equity Account
 CR GFA – Fixed Asset Account

Physical Inventory

The City performs physical inventories in order to maintain accountability and control over assets, including those purchased with Federal and State awards in a manner consistent with State and Federal law. Inventorying establishes a direct relationship between actual and recorded fixed assets. A physical inventory insures that fixed asset transactions have been and are being recorded properly.

The City conducts a regular inventory of all capital and insurable (non-capital) assets maintained in the AMS Fixed Asset System on an annual basis. Currently, the City has transitioned to a quarterly inventory in order to establish better control and record keeping of their assets. The physical inventory is conducted by location and is a combined effort of the Department Directors/ Coordinators and the Fixed Asset Accountant.

The following procedures are used in maintaining a physical inventory:

1. Inventory records are established and maintained in the Accounting Office for all capital and non-capital assets (items under \$5,000 that need to be tracked) throughout the City. These records are updated when new or additional items are received, or transferred, renovated, or disposed of.
2. Inventory print-outs are sent out annually each year in October that list item identifications and quantities that are in use at each location (currently, the City is sending out reports on a quarterly basis). Two copies are sent to each Department Director, who will designate a Coordinator and an inventory team to complete the inventory. Upon completion, the Director will verify the accuracy of the listing and return a signed and dated copy to the Accounting Office within one month of receipt.
3. Each Coordinator will be responsible for inventorying all assets at their location, which includes:
 - Comparing the location, department, building and room number to make sure they were properly recorded. Any differences will be noted on the report and a Property Control Record will be completed for transferred assets.
 - Noting any assets that have been sold, obsolete, stolen, damaged or disposed of. The Coordinator will line through any items that cannot be located and provide a brief reason for the deletion in the margin of the inventory report. A Property Control Record must be completed for each of these items. Federal and State agencies will be appropriately compensated for their share of any property sold or converted to non-Federal use.
 - Revising asset descriptions to portray the most complete, accurate description for identification.
 - Supplying a list of any qualifying assets under their control that do not appear on the inventory report.
 - Any stolen equipment should be reported to the Police Department and the Department Director as soon as possible. A Property Control Form will be completed.
4. Once inventory reports are returned to the Accounting Office, the Fixed Asset Accountant will be responsible for making all necessary changes to the Fixed Asset database and the General Ledger database. These include:
 - Updating the status of assets.

- Updating the location of assets.
- Disposing of assets.
- Updating asset descriptions.

5. The City Controller shall report the inventory status to the City Manager.

DOCUMENTS REVIEWED

1. Equipment and Real Property Management Guideline (this is in the process of being updated).
2. Equipment Purchased with Federal and State Awards Guideline.
3. Landfill Depreciation Schedule.
4. F006A – Inventory Report.

CONSTRAINTS

1. New assets are not always captured in the Fixed Asset system due to the following reasons:
 - Reports are not generated at the end of each month to review expense accounts other than the Fixed Asset Accounts to allow for the capture of fixed asset purchases that may have been miscoded to a wrong object code.
 - Donated assets are not being reported to the Fixed Asset Accountant.
2. The City's current system only accommodates a primary asset classification. This does not allow for reporting based on any other sub-classifications.
3. The current Fixed Asset system does not accommodate the definition of security within the fixed asset screens.
4. The City is calculating landfill depreciation on an Excel spreadsheet, since the system does not calculate depreciation that is based on units.
5. CIP is being tracked in an Excel spreadsheet rather than within the Fixed Asset system. An asset is created in the Fixed Asset system once the construction is complete.
6. The system does not reflect the correct amount of accumulated depreciation. Certain assets reflect an accumulated depreciation amount that does not exactly match the total depreciation expense that has been booked for that asset.
7. The current system does not have the ability to link assets or retain old asset ID's in association with a new asset ID.

8. The system does not have the ability to attach images to an asset, such as a picture of the asset, the original invoice/check, titles, surveys, warranty certificates, etc.
9. Reporting capabilities are limited and do not offer a useful and extensive option of system defined and user defined fields to run reports from. This makes it difficult to generate reports from which to reconcile the Subsidiary Ledger to the General Ledger. Reports are currently being generated in Excel.
10. When performing an inquiry on an asset, several screens need to be inquired on in order to capture all of the information that relates to the asset.
11. Entries to capitalize (move assets from expense accounts to fixed asset accounts) are not being generated automatically. The Accounting Office is manually preparing a journal entry each month to move assets over to balance sheet accounts.
12. The current system does not allow the setup of a capital threshold within the general system setup. This is causing the system to automatically generate entries for acquisitions and disposals of assets with a value under \$5,000, when in fact these items do not qualify as capital assets. The Accounting Office is currently manually booking journal entries to reverse out the system generated postings for those items under \$5,000.
13. When the system books automatic entries, it does not provide the user with a report or a control number as an audit trail for reconciliation purposes. When reconciliation is performed, it is difficult to tie out General Ledger entries to activity that has taken place in the subsidiary ledger.
14. The City does not have a centralized inventory tracking system for fixed assets as only a very limited portion of the City's assets are currently being tracked in the Fixed Assets System. Departments are maintaining their own manual systems (mostly in Excel) to track their department specific inventory items that do not qualify as additions to the Fixed Assets System. For example:
 - Police and Fire Department track their own fixed asset items such as equipment assigned to officers or Firefighters, equipment assigned to fire vehicles, etc.
 - Zoo and Parks track various lawn tools and equipment.
 - Fleet tracks parts and fuel.
 - IT tracks computers, software, etc.
 - Public Works tracks signal equipment, hand held radios and computers.

PROCESS IMPROVEMENTS

The Fixed Asset Accountant should be aware of the receipt of any new asset when it is received, rather than waiting for the requesting department to complete a "Newly Acquired Property Information Sheet". In order to facilitate control and timeliness with the entry of assets into the Fixed Asset System, the new system should automatically create a fixed asset record based on Purchasing and AP information that has already been entered into the central database through other subsystems.

The process of transferring, changing, or relocating a fixed asset is essential to adequately maintaining asset records. With timely update of property records, any status and whereabouts of a specified fixed asset is readily available for physical and audit field sampling.

Any department that would like to transfer an asset should proactively complete a "Property Control Record" form and forward it to the Finance Department within a specified number of working days of the transfer. Departments should not wait until inventory reports are received to report transfers. The department transferring the asset should complete and sign the form and the receiving department will follow-up to assure that the processes have been completed and sign the form when the transfer is complete. At a minimum, the form should include the following information:

- Asset title, description, & details.
- Serial, model, and VIN number.
- Fixed Asset Number.
- Date of transfer.
- General condition of the asset.
- Percent of grant dollars used to purchase the asset.
- Original cost, including (e.g., tax, freight, installation, or other fees).
- Originating Department.
- Receiving Department.
- Signature of Representative from Origination Department.
- Signature of Representative from Receiving Department.

A classification for livestock needs to be created to track zoo animals. Animals are currently not being tracked or depreciated in the Fixed Asset System.

The Finance Department needs to actively monitor expenses each month to ensure that capital expenses (or non-capital expenses that should be tracked) are not being miscoded to the wrong Object Code. Any miscoding should be reclassified to the correct Object Code and an asset should be created in the Fixed Asset System.

The Finance Department currently maintains two different forms to identify the acquisition of a new asset; one for property acquisition and one for equipment/vehicle acquisitions. A form does not exist to report a newly acquired building. In order to accommodate the purchase of all new assets, a standard form should be developed that consolidates all of the required fields in order to reduce the number of forms that need to be maintained and updated.

All disposals, retirements, or relevant changes should be recorded and documented by completing a "Property Control Record" at the time the asset is disposed of (rather than waiting until an inventory is performed).

The City should perform a physical inventory to identify all donated and works of art assets that are not currently being tracked in the system. Many of these items were not identified upon purchase/donation, and therefore they are excluded from the Fixed Asset System.

The City should use a field within the fixed asset screen to identify and segregate non-capital, grant, and bond proceeds items from the capital assets. When printing inventory reports or financial reports, these classifications can be used to group assets into different categories.

The City should assign a Fixed Asset Custodian for each department. Custodial duties (such as filling out transfer and retirement forms, tagging assets, and providing new asset information to the Finance Department) should be enforced by the Department Director.

Depreciation should be based on uniform set of rules (rather than based on the actual date of receipt), such as booking a half year depreciation in the year of acquisition for all assets or beginning depreciation on the first day of the month following the acquisition.

Departments should work in conjunction with the Finance Department to ensure that fixed assets have clear and concise descriptions and that make/model/serial number and location information is correct upon receipt of the asset.

The useful life listing contains 40 categories. This list should be streamlined based upon the general classification of assets.

The City should consider classifying assets at several levels (i.e. Primary Class – Equipment, Secondary Class – Office Equipment, Tertiary Class – Copier). The Primary Class should be the highest level of grouping, such as Land, Land Improvements, Buildings and Improvements, Equipment. The City can also use these groupings to identify assets purchased with grant or bond funds.

The City should update the current Asset Management Policy to address issues such as establishing the value of assets whose original cost was not recorded in the Fixed Asset System, establishing methods to track infrastructure categories in order to be in compliance with GASB 34, asset transfers, asset disposals, physical inventory, roles and responsibilities of Accounting (Fixed Asset Accountant) and the Fixed Asset Custodians assigned to each Department, missing assets, donated assets, capitalization policies, etc.

In order to facilitate the identification of assets, all transfers of assets should cease at least one month before the beginning of the physical inventory.

The City should dispose of excess and surplus personal property in a manner that serves the best interests of the City and the State or Arkansas or federal requirements.

Departments should be responsible for identifying any assets that have worn or torn tags that will need to be replaced. They should request for a replacement tag to the Accounting

Office.

As a part of the physical inventory process, the Accounting Office should distribute forms to allow departments to document assets that they have identified in their area, but that do not appear on their inventory listing. Accounting should be responsible for following up on newly identified assets and the distribution of tags for these items.

The Grants Division should be involved in the physical inventory process for all assets purchased with grant funds.

In preparation for the inventory, the Accounting Office should be responsible for the following.

- Establishing an inventory timetable and procedures.
- Conducting training classes for Department Directors/Coordinators.
- Preparing all materials necessary for the inventory.
- Developing the necessary reports for tracking and reporting inventory.

The City should add a new asset type called "Infrastructure" to be in compliance with GASB 34.

After the Fixed Asset system has been updated based on the results of the inventory, the Accounting Office should send out updated inventory listings to the Department Directors. This is currently a part of the City's procedures, but is not being followed.

NEEDS/REQUIREMENTS

1. Depreciation should be flexible to allow for a number of different depreciation methods (straight line, sum of the years' digits, double declining balance, or based on a unit amount) and should allow depreciation on a monthly, quarterly, semi-annual or annual basis.
2. The system should have the ability to provide for automatic calculation of depreciation and posting of entries to the General Ledger by fund type, asset category, status, or other field.
3. The fixed asset records should retain information relative to depreciation, such as the current month depreciation, year-to-date depreciation, last year's depreciation, accumulated depreciation, last date of depreciation, etc.
4. The system should have the ability to allocate depreciation expense to the functions/programs/activities on the Statement of Activities consistent with GASB 34.
5. The system should have barcode capability with physical inventory input in order increase efficiency and accuracy.
6. The system should allow the user to copy asset information from another pre-

existing and similar asset.

7. The new system should allow security setup in order to restrict users to read or write access based on their location/department, or possibly on another field that designates asset ownership.
8. The system should allow the assignment of fixed asset numbers based on a "seed" number so that numbers will not be skipped or duplicated. The system should accommodate multiple seeds if the City would like to use one seed for capital assets and another for non-capital assets.
9. The system should allow for maintenance/improvement adjustments to an asset to increase the value or useful life, while maintaining original information intact (keep a history).
10. The system should allow for CIP classification to accrue costs while the asset is still under construction, but exclude CIP assets from depreciation.
11. Fixed asset records should allow association with an old asset number.
12. The system should have the ability to maintain cost, insurance, and replacement values and detailed warranty and insurance records.
13. The system should have the ability to print standard and customized reports to facilitate reconciliation, inventory, etc.
14. The system should have the ability to automatically calculate the total capital expenditure transactions (for each asset classification) on a monthly basis and "roll" these amounts over to the corresponding fixed asset balance sheet accounts. (with appropriate entries based on whether they are a Governmental or Proprietary purchase).
15. The system should provide sufficient fields to track location information, such as building, department, room, room description, address, phone, GPS number, etc. The system should also allow for tracking a responsible person or custodian.
16. The system should track information related to the purchase, such as contract number, purchase order number, funding source, grant information, bid number, check number, invoice number, vendor, item description, General Ledger account, etc.
17. The system should provide a "notes" section to allow for the attachment of free form text to an asset record.
18. The system should have the ability to attach images to a fixed asset, such as a picture of the asset, title documents, surveys, invoices, warranty certificates, etc.
19. The system should provide a way to tie CIP purchases together in order to recognize

all costs associated with the final product. Activity/Project codes can be used to accommodate this need.

20. Fixed asset records should have the ability be linked to another asset(s).
21. The system should provide full online inquiry capabilities based on any fixed asset data field.
22. The new system must have the ability to depreciate units.
23. The new system should expedite the process of asset transfers between departments. For example, an electronic transfer form could be established whereby as soon as the asset number is entered, the remaining data fields are populated from the Fixed Asset master database. Using workflow tools, this form is then sent to the receiving department for their acceptance and to Accounting to ensure proper entries are made to reflect the transfer.
24. The City requires an Asset Management System that tracks both capital assets (asset value in excess of \$5,000) and non-capital assets (valued at \$1,000 or more, but less than \$5,000). This system must have the capability to distinguish these two categories by assigning a user defined code for each category. Each code may have its own depreciation rule to ensure that the non-capital assets are suppressed during depreciation. Users must be able to generate reports by each category, or on a combined basis for physical inventory purposes.
25. The fixed asset system should provide on-line entry, correction, and reporting of issues, receipts, adjustments, and item descriptions.
26. The new system should interface with the General Ledger, AP, Purchasing and possibly Work Order modules.
27. The system should allow for the assignment of primary classification for an asset. In addition, allow for the definition of secondary and tertiary classes to group assets at a subcategory level within the primary class.

Individuals who attended the needs assessment session:

- Don Wells – Police
- Claudine Forte – Finance
- Bill Henry – Public Works
- Jessie Trigleth – Public Works
- Ralph Noll – IT
- Glenda Massie – Fleet Services
- Sheila Garrett – Finance
- Edna Wade – Housing & Neighborhood Programs
- Joanna Dubnicka - Finance

- Bobbie Forbush – Zoo
- Walter Malone – Planning & Development
- Darian Pellicciotti - Fire
- Jim Williams – Fire
- David Rickett – Fire
- Steve L. Moore – Parks & Recreation
- W. J. Monagle – Community Programs
- Michael Williams – Fleet Service Coordinator
- Roger Yonk – Fleet Services
- Brock Vest – Fleet Acquisition Specialist
- Donna Facen – Finance
- Sara Lenehan – Finance

F. INVENTORY

NEEDS ASSESSMENT / REQUIREMENTS DEFINITION			
Client:	Little Rock	Functional Area:	Inventory
Prepared by:	Iris McGee	Last Update:	August 16, 2005
Person (s) Interviewed:	See Last Page	Date of Interview:	July 13, 2005

CURRENT PROCESS

The majority of the City's inventory is being maintained in the Fleet Management system, FASTER, and the five (5) Work Order systems. There is no interface between the Fleet/Work Order systems and the AMS Financial system, and as a result, any updates to the General Ledger are entered through manual journal entries.

Items are being tracked in Microsoft Excel by many of the departments who need to account for their equipment, supplies, small tools, materials, parts, etc. These include:

- Fire Department:** The Fire Department maintains a listing in Excel that is comprised mostly of equipment that has been purchased with grant funds. The items are not only tracked in order to account for the items that are not being maintained in AMS, but also in order to meet the requirements of the State Administrative Agency for the Homeland Security Grants. The spreadsheet includes columns for: Jurisdiction, Input Date, Invoice Number, Equipment Description, Category, Inventory Number, Equipment Location, Quantity, Price per Item, Date Received, Status, Contact/Contact Info, and Notes.
- Zoo:** The Zoo tracks a diverse assortment of items, including food stock and supplies, gift shop inventory, janitorial supplies, tools, and building supplies. The Zoo maintains a spreadsheet in Excel to manually track most of these items and performs an annual physical inventory. The current Point of Sale systems (POS) do not tie in to an inventory system or to AMS. As a result, sales are reported to Accounting by phone or by preparing the Daily Balance Sheet report in order to be booked to the General Ledger. Changes in stock count are being tracked manually.
- Parks & Recreation:** Parks and Recreation maintains an equipment list using Word at most of their field offices. This list comprises of several categories, including Small Trucks, Dump Trucks, Heavy Equipment, Trailers, and Miscellaneous Equipment.
- Public Works Traffic Engineering:** Public Works maintains a listing in Excel in order to track their Traffic Engineering items. The list tracks the following information in relation to each item: Tag Number, Description, Object, Manufacturer, Model Number, Serial Number, Location, Status, and Date.

- **Community Programs:** Community Programs is tracking department assets in an Excel document. They are tracking the following information: Tag Number, Item Description, Serial Number, Asset Value, Location, Comments, Date Acquired, and Date Transferred.

CONSTRAINTS

1. The City does not have one centralized system to track all the inventory items throughout the City. Each department uses its own manual system to track their items.
2. If a department does not notify the Accounting Office of their inventory, some items may go unrecorded and will misstate the financial statements.
3. There are no documented procedures on the specific processes that employees need to follow in order to maintain inventory integrity throughout the organization.
4. The POS systems do not interface with an inventory system in order to establish better control over stock levels.
5. The POS systems do not interface with the Financial System in order to automatically record sales information to the General Ledger.
6. Year-round calendars are not maintained to detail overall merchandise ordering plans for applicable departments.
7. The City should develop procedures for tracking items within the inventory module of the ERP. The procedures should establish that inventory records should be updated and maintained by the department who is responsible for the items. The inventory system should be used for property control purposes, and as a result, inventory items should be expensed as when consumed.

PROCESS IMPROVEMENTS

The City should consider implementing an Inventory module to track inventory across different organizational units. The City should compile and evaluate each and every list that is currently being maintained by different departments. Based on the type of items being tracked, the City should decide whether the list should be incorporated into the Inventory Subsystem, the Fixed Asset Subsystem, or remain in its own application.

Most ERP systems provide a separate Inventory module to account for assets which are being held in inventory until needed by a sub-unit of the organization (materials and supplies) or until assets are sold to third parties (Gift Shops). The Inventory module will account for the assets from the time they are received until they are consumed or distributed. Typically, the module will serve three major functions: 1) receiving, 2) inventory control, and 3) ordering. The module can be configured to automatically interface to Purchasing, AR, General Ledger, Work Order and Vendor database.

The City should define its inventory processes throughout the organization. This will give the City an opportunity to identify errors and implement changes to eliminate or reduce them. The City should then use the defined processes to document the procedures that employees should follow to maintain inventory control. Because many different departments track inventory, the documentation should be specific to the task and define responsibilities by job title/position.

Employee training should be scheduled and conducted in order to go through all established inventory procedures with groups of employees. Employees should be held accountable for not following documented procedures; otherwise the documentation and training are worthless.

In addition to physical inventories, cycle counting should be performed on a continuous basis to maintain high levels of accuracy. This is one of the best ways to identify problem areas on a timely basis and provide an environment conducive to continuous improvement.

NEEDS/REQUIREMENTS

1. A system that provides a user defined item classification.
2. The new system should allow for definition of the following information:
 - Item description
 - Unit of measure
 - Order price
 - Average price
 - Vendor number
 - Quantity on hand
 - Quantity received on orders
 - Ordered year-to-date
 - Received year-to-date
 - Issued current period
 - Issued year-to-date
3. A system that provides a multi-line, free form text area for the description of inventory items.
4. The new system should maintain vendor and pricing data.
5. The new system should maintain management information such as cumulative purchases and usage for the fiscal year.
6. The system should provide the ability to purge history information for items with zero on-hand quantity and no activity over a user-defined time period.
7. The inventory system should provide for the following reports:
 - Inventory Catalog Report

- Inventory Transactions Report
 - Re-order Recommendations Report
 - Departmental Charge Summary Report
 - Back-order Items Report
 - Usage Report
 - Unfilled Requisitions Report
 - Inventory Count Report
 - Inventory Status Report
 - Open Purchase Order Report (with quantities of items on order, received, cancelled, and paid)
8. The system should provide the ability to purge filled/cancelled requests.
 9. The system should provide extensive inquiry functions.
 10. The inventory system should support multiple warehouses and locations.
 11. The system should Interface with AR to support billing for items ordered by outside entities.
 12. The inventory system should Interface with POS systems to control inventory levels and recognize sales.
 13. The system should interface with barcode scanner for physical inventory, receiving and issuing functions.
 14. The system should interface with Purchasing so quantity ordered is updated when received. Also, when the quantity on hand is low, it should automatically trigger a Purchase Requisition.
 15. The system should allow security setup to allow specific read or write permissions based on user login. (Each user can only view/update their own inventory items)
 16. The system should gauge replenishment and generate automatic notifications of items that are approaching their replenishment levels.
 17. The system should allow forecasting and demand planning by location/warehouse/shop.
 18. The system should provide for back-order processing.
 19. The system should allow lot or serial number tracking.
 20. The system should facilitate order picking.
 21. The system should allow returns processing.
 22. The system should allow for a user-defined creation of stocking units of measure.

23. The system should be able to accommodate product substitutions.

24. The system should allow for first-in first-out processing.

Individuals who attended the needs assessment session:

- Don Wells – Police
- Claudine Forte – Finance
- Bill Henry – Public Works
- Jessie Trigleth – Public Works
- Ralph Noll – IT
- Glenda Massie – Fleet Services
- Sheila Garrett – Finance
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- Brock Vest – Fleet Acquisition Specialist
- Donna Facen – Finance
- Sara Lenehan – Finance

G. PURCHASING

NEEDS ASSESSMENT / REQUIREMENTS DEFINITION			
Client:	Little Rock	Functional Area:	Purchasing
Prepared by:	Jaleh Parsa	Last Update:	August 13, 2005
Person (s) Interviewed:	See Last Page	Date of Interview:	July 13, 2005
<p>CURRENT PROCESS</p> <p>The City has a centralized Purchasing Office whose primary function is to provide cost-effective procurement services to all the City departments by understanding their requirements and responding in a prompt, courteous and professional manner. Responsibilities include:</p> <ul style="list-style-type: none"> • Providing assistance and support, procurement expertise, resource information and contracting knowledge to Senior Management, Construction and Maintenance Project Managers, and staff who are in the process of purchasing materials, equipment and services. • Assisting or facilitating (in formal bidding) RFP's or Request for Quotations (RFQ's) at the request of any of the City departments. • Conducting market analysis to ensure the City is receiving the requested material, equipment or service at the most economical price, while maintaining quality and delivery standards. • Maintaining vendor relations/partnership • Conducting price negotiations • Approving leases • Processing approved requisitions to purchase orders (PO) • Submitting purchase orders to vendors for order fulfillment • Assisting with the matching of department approved order receipts to the correct PO and vendor invoice. These are checked when submitted to Purchasing. <p>Requisitions</p> <ul style="list-style-type: none"> • The current system does not provide an automated requisition process. A requisition form is available in an Excel format, but most requestors simply hand write the form. • Each department has its own requisition log book to keep track of its own requisitions. Requisitions are numbered using the first 4 digits of the department's 			

Org key followed by the next number in their log book.

- Most departments will obtain their own quotes from the vendor.
- Requisitions and quotes are approved before they are sent to the Purchasing Office.

Initiating a Purchase Order

- A requisition form must be filled out for purchases in excess of \$1,000.
- The requester must identify the ship-to code (to define where the goods are to be delivered).
- The commodity to be purchased must be sufficiently described. The requester must provide the commodity code, the anticipated price on each item (written in pencil), the brand and model name, and the suggested vendor(s) name, phone number and fax number.
- If the vendor is known, the requester must enter the vendor number.
- The account code must be provided to identify the department's appropriation.
- The receiving section of the request must identify name of the person who will be receiving the merchandise.
- The requisition form must be signed by someone who is authorized to expend funds for that department.
- The original copy of the requisition is sent to the Purchasing Office and the ordering department retains the other copy for their records.

Bid Transmittal Form

- The bid transmittal form is used to obtain formal bids for purchases in excess of \$25,000 (\$20,000 for construction). This form is filled out by the ordering department and submitted to the Purchasing Office.
- After the bidding process, copies of the bids and tabulation are sent to the ordering department.
- The ordering department prepares a requisition form for the low bid meeting specifications and submits to the Purchasing Office for the purchase to be made.

Bidding Procedures

Purchases also include the acquisition of commodities under rental/purchase. Any rental or lease agreement, regardless of whether the purchase option is offered, must be approved by the Purchasing Office

Splitting a purchase with the intent of circumventing competitive bidding requirements is forbidden by City Law.

Quote bids must be solicited from one minority owned business (MBE) and one woman owned business (WBE). M/WBE vendors are identified on the BIDD list in AMS. On the BIDD screen, the appropriate commodity code must be indicated for proper identification. If the M/WBE vendor has registered with the City, it will be marked with either an "M" or a "W" on the BIDD screen.

Bid limits are provided below:

- Up to \$100- Petty cash (including applicable taxes)
- \$100.01 to \$1000.00 – Petty charge. PO not required
- \$1000.01 and Over – PO is required
- \$1000.01 to \$2499.99 – at the Buyer's discretion. Only one bid is required
- \$2500.00 to \$4999.99- Requires minimum of 3 phone quotes and must be documented by the Buyer
- \$5000.00 to \$24,999.99- requires minimum of (3) written quotes
- \$5,000.00 to \$19,999.00 for construction
- Purchases in excess of \$25,000.00 - must be formally advertised and a Bid Transmittal form is required for formal bids
- Construction Bids that exceed \$20,000.00 - requires two advertisements posted a week apart.
- Purchase in excess of \$50,000 - requires City Board approval before a PO can be issued

Any construction project that exceeds \$20,000 requires a bid security.

An emergency purchase is necessary when property, life, health or public safety is in jeopardy. A written letter describing the nature of the emergency must accompany the requisition.

PO's may be issued by phone if the item is less than \$1,000 and if it is for emergency situations.

When the PO is issued by phone, a requisition is submitted to the Purchasing Office to encumber the funds. Each PO has four copies; white represents the vendor's copy, pink remains in the Purchasing Office, gold goes to the department and blue goes to the receiving department.

Term Contract

- A Term Contract is an agreement whereby the vendor agrees to a specific price for a specific period of time for goods and services. Usually, the quantities are estimated in the contract.

- Term Contracts can affect multiple departments, as such, purchases made under the contract must be charged to an Annual Purchase Order (APO), which is a listing of all the commodities or services covered by the contract for that department. When an APO number is issued to a department, all invoices pertaining to that APO will be received by the department. The department verifies the contract price, signs the invoice, creates a Purchase Requisition using the APO number and sends it to the Purchasing Office. The department will retain a copy of the requisition for their records.
- Term Contract PO's are not encumbered and the departments must submit a requisition to Purchasing if they want to encumber these funds at year end, if there is available budget.
- When products are received by the designated person in the department, the signed delivery ticket goes to the person ordering the product. The delivery ticket should be attached to the duplicate copy of the requisition and be kept in a permanent file.
- When invoices are received by the ordering department, they are matched against the price listed on the APO, and sent to the Purchasing Office along with the original requisition form.
- The Purchasing Office audits the invoice against the APO to ensure all the charges are in compliance with the contract prices. If a difference exists, the invoice will be returned to the ordering department for explanation.
- Departments are responsible for their own budget. If purchases exceed the budget, prior approval must be obtained from the Finance Director.

Cancellation of Purchase Orders

Purchase Orders can only be cancelled in the current system by the Purchasing Office.

Receiving Merchandise

Merchandise received by City employees must be accompanied by a signed delivery ticket. This document is used for invoice matching and payment. The City makes payments on partial deliveries and back orders based on their circumstances.

Federal Excise Tax

The City is exempt from Federal Excise Taxes.

Sales And Use Tax

The City must pay State and County Sales Tax on commodities and services purchased within the State and County. Items that are purchased from out of state vendors are also subject to a State Use Tax.

Sales Tax Exemption:

The City is exempt from Sales and Use Taxes for the following:

- Professional dues
- Zoo animals
- Professional and trade publications that are purchased through regular subscription
- Food items for free distribution to the poor and needy or to penal institutions
- Motor vehicles
- Purchases made for animal control
- Purchases made for pollution control devices

When a PO is issued, it includes sales and use tax, but the use tax will only be paid to vendors who have registered with the Arkansas Department of Revenue. Use taxes for non-registered vendors are computed by the Purchasing Office monthly and paid directly to the State of Arkansas.

Change Orders/Contract Extensions

Modifications and change orders to an existing PO must be within the scope of the project/original contract and must be done in writing. When a Change Order is required, a requisition must be submitted for the additional amount along with a description of the change. The approved requisition will be sent to the Purchasing Office for execution. Any modifications in excess of \$20,000 must be approved by the City Manager.

Current Purchase Order System

The Purchasing Office issues less than 2,000 PO's per year.

Out of the 20,000 vendors currently in the database, there are only approximately 3,000 that are used by the Purchasing Office. Applications to become a vendor are available on the City's web site. The prospective vendor is required to complete the application before it can be added to the vendor database.

The Purchasing Office creates new PO vendors as well as AP vendors within the system. The AP Office has the capability to edit and modify information for existing vendors; however, Purchasing has the final approval.

1099 vendors are added to the system after the application has been submitted to the Purchasing Office.

The current system uses batch processing and does not provide real time information, as such, the in-process invoices do not show up until the batch processing is completed.

The Purchasing Office uses commodity codes and tracks purchases based on these codes.

The Purchasing Office identifies the vendors based on their "Class" codes (vendor type) that are set up in the system.

Repair and Maintenance

Frequently used small items are inventoried for maintenance purposes at the department's request.

The Building Maintenance Department issues work orders to repair City facilities. These work orders are either staffed internally or can be outsourced to contractors.

- **Internal Staffing-** The work order request is issued with the proper department code and project identification. The internal staff procures the necessary materials needed for the repair. A packing slip or an invoice from the vendor is obtained. The packing slip/invoice is sent to the Construction Manager in the Construction Department. If the invoice is received, it is coded with the proper accounting information. The invoice, the receipt, the work order, and any available supporting document are scanned and then forwarded to the bill payer in his department. The bill payer enters all the information into the system and then sends the original invoices to AP. The AP Clerk will then verify the hard copy of the invoice with what has been entered into the system. Minor data entry errors can be corrected by the AP Clerk, however, if the error is significant, then the invoice will get sent back to the department for correction or further explanation.
- **Outside Contractors-** If a contractor is hired to do the repair job; the contractor will obtain the work order from the Construction Department and buy the necessary materials needed for the job. After the job is completed, the receipts, packing slips, invoices, and the contractor's own invoice are submitted to the Construction Manager. Again, proper accounting information is coded to the invoice and all the supporting documents are scanned. The invoices go to the bill payer and he/she enters the information into the system. Hard copies of the invoices are sent to AP for comparison and payment.

Some electrical, plumbing, overhead door, fire station door, garage door, architectural and engineering companies have annual contracts with the City with established hourly rates. These companies are assigned to perform overflow work when internal staff is not available.

Construction Projects

Construction projects require formal bids from vendors. The Building Services Manager issues a request for bid using the commodity list to determine the "Class" of services needed. Within each Class there is a list of different services.

The current system provides the ability to display the vendor list based on commodity codes. The Building Services Manager selects the vendor(s) and requests quotes from them based on the scope of work. When the bids are received, the vendor with the lowest bid is awarded the contract and a requisition is prepared by the Building Services Department. All the supporting documents are scanned and attached to the requisition form with proper approval and review for availability of funding. The entire Requisition packet is then forwarded to the Purchasing Agent requesting him to issue a PO. Funds are

encumbered when the PO is issued.

Rolling over the Encumbrances at Year End

Encumbrances are rolled over to the next fiscal year. For example, if a PO in the amount of \$100,000 was created during the current fiscal year, and if only \$80,000 was expended, the remaining \$20,000 would be rolled over to the next fiscal year. A new PO will be established using the same PO number. The only change would be the fiscal year on the transaction.

CONSTRAINTS

1. The current system does not provide any requisition processes.
2. The current system does not provide bid and quote capabilities. The City is using Excel and MS Word to track this information.
3. The current process of tracking requisitions is disjointed and information is scattered all over the place in different formats, both manually and electronically.
4. The information in the system is fragmented and there are no linkages to/from Purchasing to Work Orders.
5. The City uses RocketShuttle, a report query tool that extracts data from DB2, so the data is not real time.
6. When there is a payment in-process, there is no way for the users to track the progress.
7. Since the system does not provide real time information, it is difficult to assess the availability of funds.
8. The system does not have the capability of attaching scanned documents to the PO or the requisition.
9. PO information is not readily available for querying.
10. The Purchasing System does not allow more than 6 lines of allocation. When there are more than 6 line items, a separate PO needs to be created to accommodate the additional lines.
11. The current system is not capable of cross referencing the vendor's name to the legal name, the DBA, or the person's name. It does not provide a warning if the same Federal Identification Number or Social Security Number is already being used by another vendor.
12. The current system does not have the ability to electronically send and track requests for bids to the vendors.

13. The Building Services Manager currently has to scan invoices for construction projects and e-mail them to the appropriate individuals.
14. The system does not provide sufficient reports for the end users. For instance, the Purchasing Office would greatly benefit from a "Vendor Performance Report" or "Pricing Analysis Report" that shows the historical information used by management for vendor selection.
15. The current system does not generate pre-defined bid forms so that the name and address of the vendor are automatically populated.
16. The City should maintain an updated contract boiler plate on its intranet.
17. The City does not have central receiving.

PROCESS IMPROVEMENTS

The City should utilize Purchase Requisitions as a management tool to prevent overspending of the budget. Most ERP systems provide the option of encumbering funds either at the requisition level or at the Purchase Order level. If done at the requisition level, funds are committed as soon as the user enters the requisition in the system. The requisition will then go through approval processing in order to become a PO. This means that the amount of available funds equals the budget less what has been expended, less than what has been requisitioned. If a requisition is denied, the system will un-encumber the funds and increase the budget accordingly. This control method is especially helpful in large departments where many people are ordering at the same time; each requestor will only be allowed to order if the funds are still available in the budget.

Currently, the City processes more check requisition invoices than PO invoices, even though any purchase in excess of \$1,000 is required to have a PO. By not using a PO, the system is not encumbering funds, which mean the departments have to manually track their spending or wait for the Bi-Weekly Financial Statements generated by the Finance Department. With a new ERP system, the City should require the encumbrance of most purchases, even if they are under the current threshold. As stated above, encumbrances can take place during the creation of a requisition. Under this scenario, even though the City may not have entered into a contractual agreement with the vendor, the money will have already been "spoken for". For instance, if a department has a \$4,000 budget to buy office supplies, and if \$2,000 has been spent and another \$500 is currently being requisitioned, the true available budget is \$1,500; not \$2,000. If the system encumbered at the time an actual PO was issued, then it would show an available balance of \$2,000 without taking into consideration the additional request of supplies for \$500. This "pre-encumbrance" method is an excellent budget management tool. If, however, the \$500 requisition is rejected, then the system would put the \$500 back into the budget at the time the requisition is cancelled or deleted.

Another benefit of using the requisition process is the ability to take advantage of quantity discounts. For instance, if Departments A, B, C, and D all requisitioned the same commodity, their requests would come to the Purchasing Office via workflow tools. As soon as the Purchasing Agent identified the multiple requests for the same item, they could

combine the requisitions under one PO in order to qualify for a discount.

The City should establish a Central Receiving Department to provide a centralized delivery address for packages and freight inbound to the City. The advantages include minimizing delivery traffic to the various departments and helping the departments avoid the expense of maintaining separate, fully-equipped and staffed receiving facilities. Central Receiving personnel should perform the following tasks:

- Inspect goods received
- Notify ordering department of damaged goods
- Sign the bill of lading
- Match goods received with the receiving report and the purchase order
- Deliver or contact the ordering department
- Handle merchandise returns
- Forward receiving report to AP

The City may want to include e-Procurement capabilities in the new ERP software. E-Procurement is the term used to describe the business-to-business purchase of supplies and services over the Internet. Many government agencies have taken advantage of e-Procurement to better control inventory, to ensure employees are using agreed upon prices with vendors, and to reduce overhead costs associated with purchasing. E-Procurement may include the following elements:

- Online vendor registration
- Online vendor search
- Information that makes doing business with the City easier (i.e.: procurement policies and procedures of the City, standard attachments and general contract terms, etc.)
- Vendor catalog data with agreed upon prices with the City
- Commodity class codes
- Online purchase requisitions
- Add items to purchase requisitions by selecting the appropriate catalog
- Perform budget splitting, workflow routing for departmental review and approval, order history, order status, and standard reports
- Allow direct ordering from companies such as Office Depot, Gateway, Dell, etc.
- Pay vendors electronically

Users are set up based on their security level and their job function. They may be set up either as a browser (someone who needs to view the purchase information to track budgets, etc.), a requisition initiator, or an approver.

NEEDS/REQUIREMENTS

1. The system should provide bid and quote capabilities.
2. The new system should track the flow of information for the entire life cycle of procurement. (i.e.: starting with the bidding process to cutting a final check to the

vendor.)

3. The new system should store and attach quotations to the requisition.
4. Users should have access to the vendor database while in the requisition screen, allowing them the ability to look up vendor information. Vendor information, such as, fax, email, telephone number should be easily accessible.
5. The system should have the ability to allocate a line item or multiple line items of the requisition to multiple funding sources. Users should be able to define the allocation by percentages, quantity or dollar amount.
6. Requisition numbers should be automatically provided by the system, allowing the City to investigate unaccounted numbers.
7. The system should provide workflow tools to electronically approve requisitions with the ability to attach quotes to the requisitions. Workflow should also be used to track the movement of documents within the procurement process.
8. The system should allow users to include internal and external comments that apply to either the entire requisition or only a specific line item.
9. The system should provide the ability to set up preferred vendors for specific products and have the system automatically display or populate certain fields along with pricing information.
10. The new system should have the ability to print quote solicitation letters to vendors.
11. The new system should have the ability to record vendor responses and create requisitions automatically if the quote is awarded to the vendor
12. The City should provide management reports and online inquiries that provide information regarding how vendors were rated across numerous RFQ's. Specifically, the users at the City have indicated that they would like to see information regarding why a vendor was not selected.
13. The system should be fully integrated to the General Ledger, Projects/Activities, AP, Work Order and Budget.
14. The system should provide adequate number of line items for each requisition and PO.
15. The system should provide e-Procurement capabilities.

Individuals who attended the needs assessment session:

- Bruce Janis – Schafer Consulting
- Marilyn Clark – Police

- Jessie Trigleth – Public Works
- Michael A. McDonald – Fleet Services
- Kathy Lindsey – Parks & Recreation
- Alice Holeman – Purchasing
- Anita Bunche – Parks & Recreation
- Louise Drayton – Finance/Purchasing
- Bobbie Forbush – Zoo
- Claudine Forte – Finance/Grants
- Alan Bohannon – Finance/AP
- Jerry Paul – Finance/Purchasing
- Donna Facen – Finance/Fixed Assets

H. ACCOUNTS PAYABLE

ACCOUNTS PAYABLE			
Client:	Little Rock	Functional Area:	Accounts Payable
Prepared by:	Jaleh Parsa	Last Update:	August 12, 2005
Person (s) Interviewed:	See Last Page	Date of Interview:	July 13, 2005

CURRENT PROCESS

The City has a single AP System that records all disbursements activities. AP checks are issued from only one bank account on a weekly basis. There are three (3) types of payments that are generated from the AP System:

- Check Requests
- Purchase Orders (PO)
- Electronic Funds Transfer (EFT)

Each of these requests requires the amount, supporting documentation, the type of expenditure (i.e.: PO, Check Request, Blanket, Annual Purchase Order), approval signatures, the account code, the invoice, and a copy of the contract if a PO was issued (for the first payment only).

Processing Check Requests

Most AP invoices are received by the AP Office and are sent out to the departments to be reviewed. Purchases below \$1,000 do not require a PO and are typically processed on a Check Request form.

Each department has a designated bill payer whose responsibilities include creating the Check Request, obtaining proper approval, researching AP invoices, coding the invoice with the proper account numbers, and entering the invoice into the AP System. When the vendor number is entered, the system automatically brings up all the information for that vendor. The bill payer will proceed to verify the "REMIT TO" address, print a copy of the Check Request and attach it to the invoice. The bill payer puts the electronic version of the Check Request on hold/pending status and forwards the paper copy of the invoice, the Check Request, along with supporting documents to the AP Office.

Upon receipt of the invoice package, the AP Office will verify the invoice package against what has been entered into the system by the bill payer. If the data entry is correct, then the voucher is released. (The voucher represents the sum of all the invoices to be released. It has a grand total amount which is compared to the system total. See below for more explanation) However, if there is a problem, the AP Office either notifies the department or corrects the problem before releasing the invoice for payment.

The bill payer manually totals the amount of all the invoices to be processed and enters this amount into the AP System. The system keeps a running total of the invoices entered and displays a difference if there is a discrepancy between the actual amount entered and the initial total entered. Before completing the payment cycle, an AP Clerk will scan the invoices that have been entered into the system for that day's check run.

Once the payment cycle is generated, the system will create an output file before checks are printed. AP checks are printed in the AP Office. A signature diskette must be used in order to print AP checks. The signature diskette is locked up in the office of the Special Projects Accountant. There is a log that is used to register the time it was taken out and the time that it was returned.

Travel Requests are handled by the department's bill payers. They are responsible for submitting an approved Travel Authorization form which describes the nature of the business, as well as an approved Check Request to receive a travel advance. A final expense report is due within 20 days after the travel has been completed. Below we describe the processing steps and the types of travel purchases:

1. The overall process is similar to the under \$1,000 Check Request process, except that there are a few more steps to perform.
2. Traveler (or the department bill-payer) must complete a Request for Travel form and a Check Request.
3. If the trip requires flying, then either the bill payer or the traveler will need to make a reservation and put it on a 24-hour hold. They forward to the AP Office a Check Request made out to ELAN (Credit Card Company), a copy of the Travel Request form, and two copies comparable travel itineraries. The selected itinerary must be highlighted and the six (6) digit record locator must be written on the face of the Check Request. The AP Supervisor will then call the airline and pay the ticket with a City credit card.
4. Check Requests and Request for Travel forms are required for the traveler. The Request for Travel will include estimated travel costs such as per diem, tips, taxi, lodging, registration, etc.
5. Checks are usually issued one week before travel.
6. When the traveler returns, a final Travel Expense form is submitted along with any receipts. If the traveler spends more than his/her advance, The City pays the difference to the traveler. If the traveler did not spend the entire advance, they return the excess funds to the Treasury Office and the Treasury System records the transaction and returns the money back to the same funding source that it was drawn out of.

Processing PO Invoices and Partial Payments

PO payments are encumbered and handled based on type. Invoices that are associated with a PO may be mailed directly to the departments for verification and coding. Each department does their own receiving and this function is completely outside of the system.

When invoices are received and signed for by the department, the bill payer verifies them against the receivers and the PO to ensure that the correct quantity was received and proper account codes are used. When a PO is not paid in full because there may be multiple invoices, the bill payer uses the term "partial payment" to mark the invoice and make a copy of the invoice for their own record.

The bill payer performs three-way matching by comparing the signed receiving document with the invoice, and the PO. When the requirements of three way matching are satisfied, the bill payer enters the invoice into the AP System, puts the invoice on hold, and sends the paper copies to the AP Office. Similar to the Check Request process, the AP Office verifies the invoice package that is entered into the system against the paper copies, makes adjustments as necessary, and releases the invoice for payment.

APO's are handled differently from regular PO's. APO's represents Annual Purchase Orders entered between the vendor and the City to purchase goods at agreed upon unit prices or the manufacturer's list price. They do not involve a quantity. An APO is assigned a PO number followed by a Bid Number. When the APO is awarded to multiple vendors, the numbering system looks similar to the following:

A00104029
A00204029
A00304029
A00404029
A00504029

The letter "A" represents Annual. The bid number remains constant, but the vendors are differentiated by an increment of 1.

When the departments place orders with the authorized APO vendor(s), invoices are sent to the Purchasing Agent to verify the unit price before they are forwarded to AP for payment. Invoices are handled in the same manner as a direct pay (i.e.: via check request). APO's are not encumbered and the departments are responsible for tracking their own spending and budget. There have been cases where funds were not available to pay for the invoice since budget tracking is done outside of the system.

The Purchasing Office has developed a manual log in Excel to record all the APO's. This log captures the following information:

- Vendor Name

- Description
- Vendor Number
- APO Number
- Expiration Date

The log is updated and issued to the departments on a monthly basis.

Processing Electronic Funds Transfers (EFT)

For the most part, EFT payments are processed the same way as other payment types. When payment information is entered into the AP System, the vendors' records are flagged for EFT and the system creates an output file, indicating the amount of the wire for the check run. This information is sent to the bank electronically. In addition to the output file, the AP System also generates a report indicating the amount of the EFT for that check run. From this report, the FSA enters the EFT amount on a fax sheet and sends to the bank. A file containing the list of vendor payments is automatically FTP'd to the bank's secure site when the payment cycle is run. It is verified before the fax is sent to the bank. The total of this report should agree to the information on the fax sheet. The bank requires that the fax be sent before the funds can get wired to the vendors. The City encourages their vendors to receive payments via EFT and currently many of the vendors have taken advantage of this payment method.

Manual Check Processing/Emergency Payment Processing

There are times when it is necessary to issue emergency payments. This situation occurs about once a week as long as approval is obtained from the City Manager/Finance Director. The check run is also completed electronically in the system and is considered a "mini" payment cycle. Again, the checks and the invoices need to be scanned and indexed.

Accounts Payable Set up and Processing

The Purchasing Office is responsible for setting up new vendors since the AP staff have limited security access. (They are only allowed to update address information to the vendor master file.)

AP check stock is maintained in by the AP Office.

Vendor invoices are scanned and indexed by vendor number, vendor name (auto-fill), and payment voucher (check request) order. The paper copies of the invoices are destroyed after 6 months.

Most printed checks are mailed from the AP Office, although some are also picked up by the departments for issuance to vendors.

The AP Office processes recurring invoices, such as payments to outside agencies and copier rentals.

The City is required to pay Sales and Use Tax to the State of Arkansas. When an invoice is received by the AP Office and the Sales and Use Tax is not charged on the invoice, the invoice goes to the Purchasing Assistant who maintains an Excel spreadsheet that tracks those invoices. The Excel spreadsheet is set up to log the information and calculate the Sales and Use tax. At the end of each month, the Purchasing Office sends a Check Request form, along with supporting documents and proper approval signature, to the AP Office to make a payment to the State of Arkansas for Sales and Use Tax.

Credit Card purchases are used for purchasing airline tickets only. The coding is done by the AP Office. When a Request for Travel is received by the AP Office, it is used to purchase the airline ticket and charge to the City's credit card. At month end, the AP Office will match the purchases on the credit card statement with the Travel Authorization forms.

The AP Office does not take advantage of discounts that are extended to the City by vendors. Thus, no vendor term code is set up in the system.

The AP Office verifies and issues payments to all of the invoices that are entered into the system by the bill payers. There is no AP aging because all of the open invoices get paid in the current pay cycle.

There are approximately 20,000 active and inactive vendors in the AP System.

The Community Program Department is one of the biggest customers as they manage 60 to 80 contracts. For example, Youth Initiative Program is one of the programs managed by Community Program and is set up as a special project in a Special Revenue Fund. There are nineteen (19) providers that are under the Youth Program. Because the City does not create budgets for special projects, these contracts do not have PO's set up in the system; therefore, no funds are encumbered.

Almost every department has an impress fund (petty cash) set up. The amount of the petty cash varies from department to department. When a department fills out a Check Request form to replenish their petty cash, they must attach appropriate receipts before sending it to the AP office for reimbursement.

Year End 1099 Processing

Vendors fill out a W-9 form to indicate whether they are a 1099 vendor or a corporation. The current system has a flag on the vendor table indicating whether the vendor is a 1099 vendor or a corporate vendor. The only categories that are used on the 1099 forms are rent and non-employee compensation.

At the end of the year, the FSA runs a program to zero out the vendor balances. 1099 information is extracted from the back up tape of the previous night. The FSA runs the DB2

program, which generates the 1099s and are filed electronically.

An electronic file is sent to the IRS by a Programmer-Analyst Senior, but individual statements are mailed by the Purchasing Agent.

Year End Processing

All invoices for services or products received in the current year must be entered for payment in the same year. For example, any invoice received after December 31, 2004 for services or products received during 2004 must be paid in the 12th month. 12th month invoices are entered on a separate Check Request or Payment Voucher. Bill payers entering payment vouchers online must separate 12th month invoices from 2005 invoices. AMS requires the accounting period and year to be keyed in for each transaction. The Check Request must have 2004 written on the upper right-hand corner to designate that payments are for 12th month invoices.

On January 19th of 2005, the 12th period of December 2004 will be closed. Any invoices processed after the January 19th cutoff date must be posted to the 2004 13th period. Invoices for 2004 that are received after January 31st of 2005 will be paid from the 2005 budget. The bill payers must use a separate Check Request form for 13th period transactions. This practice ensures that the invoices for both the current and next fiscal years have been identified and separated. In the event the City receives a prior year invoice in excess of \$5,000 during the month of January, the bill payer must immediately notify the AP Supervisor via email so that the amount can be accrued in the system. If this practice is not exercised, the prior year purchase will go against the new fiscal year budget.

CONSTRAINTS

1. The Purchasing Office tracks APO's on a manual basis in Excel. Once the new system is implemented, the City should enter all the APO's in the Purchasing Module and create a separate "auto seed" (numbering system) to distinguish these from regular PO's. Information such as vendor name, number, description and expiration date should all be maintained in the system. When an APO is first created in the system, it should be set up similar to a blanket purchase order with agreed upon unit prices. Each product should have a separate line item with its own Object Code. When an order is placed against an APO, the requester can select the product (therefore, the line item on the APO) and the quantity. A requisition will then be issued and encumbered by the system. By encumbering the requisition against the APO, the ordering department will be able to track their budget for that Object Code. The requisition will go through a series of approval process via workflow.

An APO is a perfect candidate for e-Procurement. Please refer to our write up on the topic under the Purchasing section.

2. The screens are not user friendly.
3. Real time information is not available.

4. Recurring payment vouchers are used frequently, but the process is cumbersome.
5. Distribution codes are not used in AP. These codes will allow users to define term of payment and allocation of invoice amounts to various departments.
6. Lack of training has affected the usage of the current application to its fullest extent.
7. The tracking of Sales and Use Tax is done manually on an Excel spreadsheet.
8. The City does not take advantage of discounts offered by vendors.
9. The City typically pays all open invoices in the current pay cycle.
10. The AP process is very time consuming and AP Clerks spend too much time locating which department to send the invoices.
11. Pre-paid invoices are handled by the AP Office and involve a very time consuming and manual process due to system constraints. Examples of prepaid invoices include regular and long distance phone bills, printing services, paper sales, catering, postage and city permits.
12. In the current system, when a credit memo is received from the vendor, it reduces the budget line, but does not adjust the PO.
13. The current system provides overriding capabilities for duplicate invoice numbers. It is based on the user security level. For internal control purposes, the Bill Payers do not have this access. There are vendors that use the same invoice numbers every year. When this occurs, the Bill Payers will need the assistance of an AP Clerk to override the duplicate invoice number before it can continue to be processed.
14. Although the current system has zoom functionality, it does not have full drill down capabilities.
15. Many users are relying on Excel and Access to track information that is not readily accessible in AMS. When this occurs, the information is often repeated when it reaches the next person's desk.
16. The current method of processing travel advances and travel reports is very manual and requires excessive time for staff to complete.
17. The current system does not provide the capability of establishing multiple "REMIT TO" addresses for a single vendor. Every time a vendor has a new "REMIT TO" address, the City has to create another vendor record with a separate vendor number. Many software applications provide this capability so that one vendor does not need to be set up multiple times.

PROCESS IMPROVEMENTS

The new system should provide a PO extraction screen for invoices that are associated with

a PO. This screen will display the amount of each line item, quantity, account code and the related description for the PO. Instead of manually keying in all the information on the invoice, the bill payer can simply enter the PO number on the invoice screen, and then the system will display the PO extraction screen. At this point, the bill payer can simply select and click on the proper line item that is being invoiced. If the invoice represents a partial payment, the system will automatically calculate the remaining balance for each line item on that PO.

EFT instructions should be done electronically versus using the fax machine. The electronic method provides better internal controls to safeguard City funds. Most banks now offer a "smart" plastic card with an implanted microchip that can be kept on a computer hard drive. This microchip can randomly change the password every 60 seconds, so even if someone temporarily gained access to the City's password, it would no longer be valid within 60 seconds. This "digital" banking feature is easy to implement (as long as security measures are considered) and will be able to interface to most ERP systems.

The City should develop a long term training plan for its employees on how to use the new system. Currently, some of the employees are not aware of AMS' full capability. This lack of knowledge is caused, in part, by the fact that those individuals were not employed by the City when AMS was implemented. The long term training plan should include easy-to-read desk top procedures, lists of available reports, periodic training classes for new and transferred employees and a centralized directory where employees can easily access training material. Whenever there is an upgrade to the software, desk top procedures and training manuals should be updated to reflect the changes.

Tracking of Sales and Use Tax should be done automatically by the new system. Although this feature may not be separately identified by the software vendor, the City can try to use pay codes or some other user-defined rules to identify invoices that do not include the tax. Periodically the AP Office should be able to selectively run a report with the user defined code to obtain total taxes owed to the State. Having the system track invoices and calculate the amount of tax owed would reduce the human errors and eliminate the current manual processes.

When there is a large volume of entries that need to be entered for a vendor, the City could streamline its data entry process by using an upload tool to enter the information into the AP system.

The City should start taking full advantage of discounts offered by vendors. Most ERP systems provide a discount field on the invoice data entry screen (which can be defined as a percentage or set dollar amount). The payment term could either be set up at the vendor level or at the PO level. During data entry, if the system recognizes payment terms, it would automatically apply the appropriate discount to the invoice. If the discount was not defined at the vendor level, then it could always be keyed in during invoice data entry. The user should also be able to apply discounts at the invoice line item level.

The AP Office should coordinate with Treasury to maximize float. Currently, all open invoices are paid during the current pay cycle, rather than on the payment due date. Once the City implements the new system, each invoice should be entered with a payment due

date. At check run, the system would provide the option to run an open invoice report selected by due date. Only those invoices that are due in the current period would show up on the report, thus allowing the City to retain its money for as long as possible while earning interest.

Currently, some invoices are mailed directly to the AP Office, while others that are associated with a PO or a contract might go directly to the department. This lack of consistency causes the AP Clerks to spend extra time trying to identify the owner of the invoice. If the City establishes a policy that requires PO's for most invoices, then the AP Clerk can simply look up the receiving department in the system. In general, it is a good idea to centralize the receipt of invoices. If invoices go to different departments and individuals, sometimes they can inadvertently sit on someone's desk for weeks, or even months.

There are currently too many inactive vendors in the system. Before migrating to the new system, the City should clean up its vendor database. Any vendor who has not been used by the City in excess of a certain period of time should be removed from the system. This periodic purge of old vendors should be done on an on going basis, even after implementation.

The City should utilize Purchase Requisitions and Purchase Orders more frequently in order to take advantage of encumbrances and to better manage the budget. A detailed recommendation is provided under the "Purchasing" section.

The City should continue to scan invoices in the new system, but should attach the scanned image to its corresponding record in the system. If the new system comes with a drill down or drill around feature, then users would be able to drill down to the source document when performing an online inquiry or when running reports.

The new system should include better functionality to process recurring journal entries. For instance, when an invoice is initially set up as recurring, the system should be able to provide fields to indicate the frequency and the amount. The due date of the invoice should drive the posting to the AP System.

The City should utilize distribution codes in AP. These codes can be pre-defined and attached to the vendor or they can be applied during invoice data entry. A good example for using distribution codes would be for copy machine invoices that need to be allocated to various departments. The allocation can be done automatically based on user-defined rates.

The City should consider buying a system that comes with a separate time and expense module which allows employees to capture and submit time and travel expenses online. This module automates the process of filling out, submitting, approving, and receiving payment for expenses made outside of the PO process. It would enable the City to eliminate paper-based expense reports, complete expense reports online in a fraction of the time, and route expense reports to managers for approvals based on the pre-determined rules. The time and expense module can reject out-of-guideline expenses based on user defined rules. In addition, the expense module could facilitate cash advances for future trips and route them through the approval process for the managers' approval based on the pre-

defined approval hierarchy.

NEEDS/REQUIREMENTS

1. A system that provides drill down and drill around functionality.
2. An integrated system that allows information to be shared by various departments based on their security privileges and data.
3. Ability to process recurring payment vouchers.
4. Ability to set up pay codes and distribution codes, allowing users to define term of payment and allocation of invoice amounts to various departments.
5. Ability to track pre-payments to offset future payments.
6. Ability to handle credit memos, so the corresponding PO is adjusted.
7. The system should display out of balance warning only for those invoices that are truly causing the out of balance condition.
8. The system should provide a time and expense report module for processing travel advances and travel expense reports.
9. The system should allow multiple "REMIT TO" addresses for the same vendor.
10. The system should accommodate APO's and blanket purchase orders.
11. The system should provide visibility to the PO while in invoice data entry mode. If the invoice is associated with a PO, then by entering the PO number on the invoice screen, all the line items, description, dollar amount and account coding should be made available.
12. The system should have automatic interface with the City's banking institution(s) to allow for electronic wire transfer and other digital functions.
13. The system should provide a way to track those invoices that do not include Sales and Use Tax information.
14. The system should provide an upload tool for invoices that require many lines of entry.
15. The system should provide an easy way to set up discounts, either at the invoice, the PO or vendor level.
16. The system should have the ability to attach scanned invoices and other source documents to the payment.
17. The system should provide electronic three way matching before the invoice is paid.

18. The new system has to support NACHA format file to the bank for wire transfers.
19. The new system should provide workflow to electronically route invoices and payments for approval.

Individuals who attended the needs assessment session:

- Alan Bohannon – Finance/AP
- Marie Boyce – Community Programs
- Dana Whitmore – Solid Waste
- Linda Walker – Programming
- Venita Young – Planning & Development
- Kelly Penn – HR
- Sue Hulse – Public Works
- Gay Spencer – Police
- Marilyn Clark – Police
- Diana Iles – Fleet Services
- Kathy Lindsey – Parks & Recreation
- Clifford Smith – Internal Audit
- Floretta Bradford – Housing & Neighborhood Programs
- Carroll Hargrove – Zoo
- Alice Holeman – Finance/Purchasing
- Mary Ellen Ewing – Finance
- Lisa Tatum – Traffic Court
- Anita Bunche – Parks & Recreation
- Louise Drayton – Finance/Purchasing
- Linda Lanier – Public Works
- Lynn Umholtz – Finance

I. ACCOUNTS RECEIVABLE

ACCOUNTS RECEIVABLE			
Client:	Little Rock	Functional Area:	Accounts Receivable
Prepared by:	Jaleh Parsa	Last Update:	August 12, 2005
Person (s) Interviewed:	See Last Page	Date of Interview:	July 13, 2005
<p>CURRENT PROCESS</p> <p>The City's AR processing is decentralized. Although the bulk of receivable activity is tracked in the Treasury Management System, it is also recorded through several stand-alone systems. As a result, the process of recording receivables, cash receipts, invoices, and billing statement varies significantly amongst the various departments.</p> <p>A brief outline of each of the City's receivables is provided below:</p> <p>Cash Receipts Processed in the Treasury Management System</p> <ul style="list-style-type: none"> • Business Licensing Fees - a Business License is required in order to conduct business within the City. In order to apply for a business license, an application must be completed and approved by the Zoning Department. Approved applications are forwarded to the Treasury Office for processing, where they are entered into the Treasury Management System and a customer number is automatically assigned. License fees are established based upon the type of business or license required. <p>A cash, check, or credit card payment must be received before a license number can be automatically assigned by the system. If the amount of the assessment needs to be adjusted, a debit or a credit memo is issued (these transactions will be tracked via a unique system generated number).</p> <p>The system is configured to apply payments to any existing penalties first, and then apply any remaining amounts to the base assessment. The payments are recorded in the General Fund.</p> <ul style="list-style-type: none"> • False Alarms - The City charges businesses and residents when the Police Department responds to alarms where there is no evidence of criminal offense or attempted criminal offense. Billing statements for False Alarms are processed manually by the Treasury Office in either Excel or Access. Effective January 1, 2006, a new application will be used to issue permit number to home addresses. • Cutting and Cleaning Weeds/Lots- When the City cleans or cuts weeds in a lot that belongs to a citizen (because it is not being properly maintained), the City processes a lien on the lot and issues a parcel number by which to identify the lot. When the property is sold, the City posts the money as current revenue. The City must be proactive in keeping the lien current, as it can expire after 7-10 years. 			

- **Demolitions, Liens and Bankruptcies-** The City charges fees for demolitions, liens and bankruptcies. These fees are tracked in Excel and then billed manually. When payments are received, they are recorded in the Treasury Management System and applied to a Special Revenue Fund.
- **Condemnations-** The Department of Housing and Neighborhood places a lien on condemned properties and issues a bill to the owner of the property. This information is forwarded to the Treasury Office so that payments can be identified when they arrive. However, the Treasury Office does not set up the condemnation as a receivable. At the end of each year, the Department of Housing and Neighborhood consolidates all the condemned properties on a list and forwards the list to the County Treasurer's Office so the liens can be included in the upcoming property tax bill of the condemned property. Occasionally, the property owner will pay the condemnation costs prior to getting his property tax bill. When this occurs, the City's Treasury Office will record the payment and update the Treasury Management System. The Treasury Office will then notify the Department of Housing and Neighborhood, so the lien can be removed. Payments are applied to a Special Revenue Fund.
- **Long Distance Franchise Fees on Toll Calls-** A percentage of the gross revenue for long distance franchise fees and fiber optic fees is turned over to the City on a monthly basis by the long distance carriers. These receivables are tracked in an Excel spreadsheet by the Treasury Office (long distance carriers are not set up in the Treasury Management System as customers). Payments are entered in the Treasury Management System as General Fund revenues.
- **Impound/Wrecker Services-** The City contracts with several vendors who provide the transportation of abandoned, wrecked, disabled or inoperative vehicles within the Little Rock area. When a vehicle is towed by order of the Police Department, the towing company vendors will tow the vehicle to the Vehicle Storage Facility. The Facility staff will enter tow information into the Impound System (an internally developed software), including the year, make and model of the vehicle, owner's name, driver's name, vehicle identification number, date of impound, and reason for towing. In addition, the Wrecker name, number and bill will be entered along with the amount and description of charges and the Police Officer's name.

Storage fees are typically charged to the owner of the vehicle unless the costs are to be absorbed by the Police Department. If the Police Department is responsible for the costs, a manager or supervisor is required to issue a credit memo in the system to adjust the charges for which the owner is responsible. An invoice is prepared manually and emailed to the Police Department and the charges are tracked in Excel.

Vehicles cannot be released until the Facility receives full payment via cash, check, or credit card payment. As payments are received, they are applied to the customer account in the Impound System. Once the record is complete, the information is interfaced over to the AMS system. (Credit card payments must be authorized before the record can be finalized in order to ensure that the payment was not

rejected).

On the next morning, the Daily Deposit Entry Screen is accessed, which will automatically calculate and display the total cash, checks, and credit card payments received. In addition, the system will summarize the total fees collected for towing, storage, administration, sales tax, and vehicle auctions. The total deposit (cash and checks) will be grouped into categories (in order to ease the reconciliation effort) and the total for each of these categories will be manually updated on the screen.

Payments are also entered on a cash register. At the end of each day, a cash register Z tape is printed and reconciled, the cash register money is counted by a supervisor, a deposit slip is completed, and the money is deposited at the bank. After the deposit is made, a copy of the deposit slip is given to the Accounting Office along with supporting documentation (through interoffice mail). Based on revenue received for the month, the City will remit payments to the Wrecking vendors for their services rendered based on established contracts.

- **Tower Leases-** Tower leases are negotiated leases with the City for cellular towers. The City does not bill for tower leases, as the customers are expected to automatically pay their fees each month. Payments are sent directly to the Treasury Office and then they will notify the Accounting Office. The Treasury System is updated each night when the information is uploaded to AMS.
- **Street Cuts-** Utilities and other entities may occasionally need to cut into public streets and other City properties in order to install, replace or maintain water lines, sanitary sewers, and drainage structures. Authorization for public utilities such as gas, electric, phone, cable, water, etc to cut into the City's streets is obtained by issuance of a permit. There are two divisions of Public Works that provide permits for applicants for cuts and excavations:
 - Program Development and Scheduling (PDS) issues the majority of permits. PDS permits are obtained online and are scheduled with the utility companies.
 - Traffic Engineering issues all remaining permits. Traffic Engineering does not utilize online applications and issues permits to non-utility companies, such as plumbers and subcontractors.

After street cuts are completed, resurfacing of the public streets and properties are the responsibility of the utility companies.

The process of billing for street cuts requires an employee in the Treasury Office to access the Public Works web site and look up all transactions from the Online Permits System and bill accordingly. The permits obtained through Traffic Engineering are sent to the Street Operations Scheduling Coordinator and then to Treasury for billing. Transactions in the Public Works System consist of Permit Numbers, the Contractor's Name and the Work Order Number. The Public Works database is not linked to the Treasury Management System; therefore, information must be imported into QuickBooks to issue an invoice and a statement. When a

payment is received and posted to the Treasury Management System, a receipt number is automatically generated for the payment. The receipt number is entered into QuickBooks and in the Public Works web site. Funds are then posted to the Street Fund.

- **Mixed Drink Supplement Tax Payments-** Restaurants complete a Supplemental Tax Form to record the sale of beer, wine and mixed drinks. Payments from these establishments are processed through the Treasury Management System. The system also allows the generation of reports in order to track payments and delinquent accounts. The Treasury Office uses an Excel file to track receipts.
- **Non-Sufficient Funds (Hot checks) -** NSF checks that have been returned by the bank are updated into the Treasury Management System. At the end of the day when cash receipts are recorded, the NSF information is uploaded to AMS along with other transactions.
- **Public Safety-** Public Safety fines are charged for parking and traffic violations. These charges are entered into Microsoft Access, and invoices are generated.

Distributions from Courts represent payments that go to other government entities such as the State of Arkansas. For example, when a speeding ticket is issued, a portion of the proceeds stay with the City and the rest is sent to various other government entities. Deposits are made to the City's General Fund bank account and payment information is recorded in the Treasury Management System.

- **Worker's Compensation Insurance -** The Fixed Asset Specialist creates billing statements for Worker's Compensation Insurance. This revenue is treated as a miscellaneous receipt and is recorded by the Accounting Clerk or the Fixed Assets Specialist. Payments are posted to the General Fund.
- **School Resource Officers Reimbursement-** The City provides protection to schools and is reimbursed for the services by the school district on a quarterly basis (even though the City's policy requires reimbursement on a monthly basis). Payment processing is completed in the Treasury Management System and then uploaded into AMS.
- **Airport Police Officers and the Firefighters-** The City provides protection to the airport by providing Police Officers and Firefighters in case of emergency. Payments made by the airports for these services are treated as miscellaneous receipts.
- **The Little Rock Zoo-** The Zoo collects revenues from the following sources:
 1. Zoo Admission Tickets – Fees for admission to the Zoo are collected at the entrance to the park.
 2. Zoo Café – The café sells food, drinks, and outside catering. Purchases are entered into a cash register that is specially designed so that each of the keys corresponds to a café or catering item. When items are rung up, the

register's internal tape tracks the dollar value and quantity of items sold based upon the keyed entry. Each day, the registers produce a summary tape that the Administrative Technician uses to update the AMS system (each register key corresponds to a certain revenue code in AMS).

3. Membership - Applications for membership are processed through the ticket booth, the gift shop, via a phone order, or a mail order. Membership fees are rung up on a cash register. Each key on the register corresponds to a different type of membership. At the end of the day, the register tape that tracks daily membership activity is used to update AMS for the daily sales.
4. Gift Shop - A register is used at the Gift Shop to ring up items sold. Each key on the register corresponds to a different classification of item. At the end of the day, the internal tape is used to update AMS for the revenues.
5. Token Machines - Token machines allow the purchase of \$1.00 tokens for certain rides at the Zoo (Camel Ride, Train Ride, War Memorial Amusement Ride, and the Kitty Ride). The machines are refilled and reconciled in an Excel spreadsheet by Zoo personnel. Revenue for each of the rides may differ, for example:
 - War Memorial Amusement- The War Memorial Amusement owns and operates the train ride. The Zoo does not receive any of the revenues generated from operation of the ride.
 - Camel Ride - The Zoo receives 1/3 of the revenues from Camel Rides while the company that runs the ride receives the other 2/3. The owner of the Camel Ride has an agreement with the City for the distribution of proceeds and Insurance Liability.
 - Amusement Ride - The Zoo operates, but does not own the Amusement Ride. The City receives 50 % of the gross revenues generated from the ride sales.

At the end of the week the tokens are turned over to the Zoo Administrator and she rings up the tokens from the rides on the cash register and is recorded on the summary tape. The information is entered into AMS in the same manner as the rest of the transactions to record the cash receipt. The Zoo staff also prepares a manual invoice to reimburse each ride owner based on his contractual agreement. The check request is approved and sent to AP for payment along with supporting documents.

6. Donations - Divisions within the Zoo may accept donations for education, development, marketing, and fund raising. The money is received through the daily revenue collection (usually at the gift shop) or by deposit at the City Collector's Office. Donation revenues are coded to Zoo revenue unless the funds are collected for a specific purpose, at which case a special project code will be created to record the revenues.

Zoo deposits are made daily, but copies of the deposit slips are sent to the Accounting Office along with Weekly Reports from AMS to aid in the reconciliation of

the bank account. (Copies are also provided to the Internal Auditor).

Occasionally, one of the other Divisions within the Zoo will incur charges to the Zoo Café or the Gift Shop for foundation meetings, touring potential donors, charities, etc. These charges are rung up on the register just like a normal customer. The Visitor Services Manager will then provide a copy of the register tape along with a report to the Administrative Technician, informing her which Division is utilizing their services. The Technician deducts the tape amount from items sold for the day and the sales from the tape because the divisions did not have to pay any money. The amount incurred is also deducted from the day's deposit, so total sales and deposit will agree. To avoid having to make budget transfers, the Administrative Technician maintains the total of these "House Charges" on a manual basis. The Divisions also maintain a record of how much food and inventory were consumed during the year. Currently, no budget transfers are made because there is a perception that the transfers will cause problems in the system.

Reports that are generated by Zoo personnel from the AMS system include:

- ✓ Weekly Report
- ✓ Monthly Report
- ✓ Cash Transactions Report
- ✓ Revenue Detail by Fund/Agency/Org

- **The Fleet/Vehicle System-** Fleet Services provides impound services through a Vehicle Storage Facility. The facility offers a weekly auction of vehicles, including City vehicles that have been removed from the City fleet inventory. The Fleet/Vehicle System, FASTER, maintains billing and the vehicle storage information. Data is then manually put into an Excel spreadsheet, and the Accounting Office prepares a manual invoice. When the City receives payment, it is entered into the Treasury Management System and creates a batch job. On a monthly basis, the Accounting Office receives an email from the Budget Analyst at the Fleet Department regarding any vehicle related transactions (such as auctions and insurance proceeds) that have been recorded directly into AMS.
- **Utilities-** Utility companies remit franchise fees to the City on a monthly basis. Payments are made via ACH and are accompanied by a faxed invoice to detail the amount being remitted. The City does not bill for Cable and Water, which is tracked in an Excel spread sheet based on a set rate. Typically the City receives notification and supporting documentation from the Cable and Water companies that the money is coming in two days. The City receives checks from Energy, Comcast and SBC. Comcast pays franchise fees on a quarterly basis.
- **Selling Fuel-** The Fleet Department has 12 automated, card-accessible fuel sites. It sells fuel to various City departments for use in their vehicles and also to a few outside vendors. Fuel invoices are prepared by the Budget Analysts.
- **Housing and Neighborhood Programs -**The Housing and Neighborhood Programs Department collects fees for certain services that they provide. These services include building permits, contract permits, animal services, and debt licenses.

- **Convention Center-** For the most part, Convention Center personnel prepares their own billing statements, however, the Treasury Office is responsible for billing the business license part of the event. Each organization that hosts an event, whether it takes place at the Convention Center, the Robinson Center or anywhere else in the City, is required to pay a business license fee. A new customer account is created for each customer, even though it may only be a one-time event. Billing information is obtained directly from the Convention Center regarding which organizations will be holding an event.
- **Special Events Proceeds-** A business license is issued for one time special events. Fees are collected when the license is issued and posted through the Treasury System.
- **Anger Management and Domestic Violence-** Weekly classes are provided by the Courts for citizens who have been convicted of a related crime. The Courts offer these classes for Little Rock and North Little Rock offenders. Fees associated with these classes are remitted to the Treasury Office for deposit. Most of this revenue goes into the General Fund with a small portion going back to the City of North Little Rock.
- **Miscellaneous Fund Raising Pledges** – Fund raising receipts and donations are set up in a Special Revenue Fund by the Special Projects Supervisor and are recorded by the Treasury Office.

Cash Receipts Not Processed Through the Treasury Management System

- **Landfill-** The City collects fees for using the landfill for disposal of garbage, rubbish, waste material or other refuse. Landfill information is sent to the Treasury Office and entered into QuickBooks where invoice numbers are assigned. Billing statement and original invoices are created and mailed to each customer by the Accounting Specialist in Treasury. Payments are recorded in the Treasury Management System on a daily basis. The Landfill System, a DOS based program called ILScale, records by customer number, truck number, and tonnage. The truck is weighed and tonnage is recorded minus the weight of the truck. The Landfill System charges \$85 per ton. Landfill customers receive their invoices and statements on a monthly basis. Currently, the Treasury Management System keeps the invoices from the Landfill System and enters them into QuickBooks to issue invoices to the customers. Landfill invoices that are sent to the Treasury Management System are not electronic. They are sent to the customers based on Net 15 payment term. Landfill invoices are posted to the Solid Waste Fund.
- **War Memorial Fitness Center-**The City collects money from individual and corporate membership enrollments annually. The information is tracked in Excel. The Fitness Center uses a cash register to record the sale of membership. At the end of each day, the Fitness Center Supervisor fills out a Daily Balance Sheet report and a deposit slip to report transactions for the day. Before the daily deposit is taken to the bank, the amount of money is verified by the Secretary of the Fitness Center against the deposit slip, the Daily Balance Sheet report, and the cash register tape.

The Fitness Center Supervisor faxes the Daily Balance Sheet report and a copy of the deposit slip to the Accounting Office. At the end of each month, the Fitness Center Supervisor prepares a "Monthly Balance Sheet" report and submits it to the Accounting Office. Monthly Invoices are created in a Word document by the Fitness Center Supervisor. Invoices are sent to the customers along with a copy of their sign-in sheet.

- **River Market Facility-** Currently, the River Market has seventeen commercial leases. Revenue for the River Market Shopping facility is generated from collecting rent payments, rental facilities, catering, and special occasions. The River Market Manager uses the following applications to prepare billings.
 - ✓ Billing for the 17 commercial spaces is done in an Excel spreadsheet on a monthly basis
 - ✓ Billing for the rental facilities, catering, and special occasion activities is done in the Rent Pro program

The River Market Manager collects payments and makes bank deposits. On a daily basis, payments are recorded on the Daily Balance Sheet report and faxed to the Accounting Office, along with a copy of the bank deposit slip. This report is submitted even if there are no payments collected for that day. The Accountant manually enters the payment into AMS.

- **Planning and Development-** The Department of Planning and Development collects fees for mechanical contracting, re-zoning, signed permits, building permits, plumbing permits, electrical permits, zoning ordinance books, and street maps. The department makes their own deposits, but the deposit information is faxed to the Accounting Office on a daily basis. The Accountant enters the deposit into AMS.
- **Cash Receipts by Court-** The cash receipts received by the Court Cashiers are matched up with the appropriate ticket and applied to the customer account. Daily deposits are made to the General Fund account by Court personnel and then faxed to the Accounting Office. There are two different manual systems:
 - Fees from Court Fees
 - Fees from the Police Department
- **Golf Course -** The annual pass for the usage and green fee of the West Nine Golf Course is \$325 per person. When a pass is issued, the pass number is imprinted on the pass and is handwritten into a log to track who the pass was issued to. The Pro Shop uses a cash register to record the different types of sales. Sales activities are tracked by programming the register keys. The register keeps track of these activities based on the key # used. The following are the register key numbers and categories currently being used by the Pro Shop:

Number	Register Category
1	Champion Green Fees
2	2 Senior/Junior Fees
3	Early/Late Fees
4	Ladies Day Fees
5	9 Holes West Course
6	18 Holes West Course
7	Senior/Junior Fees West
8	Annual Pass Sales West
9	Range Tokens
10	Discount Card
11	Electric Cart
12	Pull Cart
13	Club Rental
14	Tournament/Outing/Other
15	Pro Shop Sales
16	Pro Shop Sales Tax

When a sale is entered into the cash register, the system tracks the categories based on the key number selected. Before the transaction is completed, the cash register automatically charges sales tax to the transaction.

These are the different types of payments accepted by the Pro Shop:

- Cash
- Check
- Credit Card

Check or cash payments are stored in the cash register during the day. The cash register generates receipts for the customers and simultaneously records the transactions on a separate tape for the Pro Shop. The keys on the cash register are programmed to correspond to a specific golf category order to track the type of item sold. The cash register prints the key number for the corresponding category on the internal tape. This tape is used for balancing and creating the Excel reports that are used by the Pro Shop.

If the payment is made by credit card, the transaction is created in the cash register system first. Since the credit card system is not connected to the cash register, the Pro Shop clerk has to swipe the card and enter the amount of the transaction into the credit card system. When the credit card is approved, the receipt is signed by the customer and the yellow copy goes to the customer, while the Pro Shop retains the white copy. The Pro Shop Sales Clerk will write the credit card transaction and the type of the category on the back of the white copy.

At the end of the day, the Pro Shop closes the cash register and records the grand total of all the transactions on the cash register's tape. The Pro Shop counts the money in the register and balances it to the register close out tape. Credit card

transactions are also recorded and separated by different categories on the Daily Balance Sheet report in the credit card column. Cash and check transactions are also separated by category on the report. The two columns are totaled manually and compared to the transaction total for the day. A deposit slip is prepared for the cash and checks and is taken to the bank daily by a Pro Shop staff member.

The following information is sent to the Accounting Office where a journal entry for the cash receipts is prepared:

- Close out tapes from the cash register and the credit card machine
- Pink copy of the deposit slip
- Credit card slips
- The Daily Balance Sheet Report

The credit card machine has a limitation and can not accept more than 70 transactions into one batch; thus, if the number of transactions exceeds the maximum limit, the Pro Shop staff member has to close out the batch and open a new batch to accommodate the additional transactions.

Debit cards are not accepted and the cash register does not allow cash back on credit card transactions.

The cash register can issue a refund, either in the form of cash or a credit back to the original credit card. Cash refunds are captured in the cash register and flagged as a minus sign in RED INK per category. The refund is taken out of the cash register and given to the customer. If the refund is in a form of a credit, the credit card is swiped in the credit card machine and the negative amount is entered, the credit card machine electronically transmits the credit information to the bank and gives an approval code. The credit card system creates a receipt signed by the customer so the customer's account will automatically be credited. The Pro Shop Clerk writes on the back of the merchant receipt what category of sale was credited. Customer refunds are also recorded on the Daily Balance Sheet report.

The following reports are created in Excel and are used by the City to manage Golf Operations:

- Daily Balance Sheet Report
 - Golf Course Weekly Report
 - Golf Course Monthly Report
 - Golf Course Attendance Report
- **Concession** - The Concession at the Golf Course uses a separate cash register to record sales. Menu items and their applicable sales tax rates have been pre-programmed in the cash register. Prepared food is charged with sales tax, while unprepared food is not. Beer is charged with a higher sales tax rate. When a sale is entered into the cash register, it tracks the categories based on the key number (menu item) selected.

Payments, cash receipts, and closing procedures are similar to the Pro Shop. The

credit card machine also has the same constraint of processing only 70 transactions per batch.

The following Concession reports are created in Excel spreadsheets to manage its operations:

- Concession Daily Balance Sheet Report
- Concession Weekly Report
- Concession Monthly Report

Both of the last two reports break out sales by menu items while the first report breaks out by beer and food.

- **Loan Rehab** - The Housing and Neighborhood Programs Department manages two types of grants from HUD; Community Development Block Grants (CDBG) and the HOME Program Grants.

The intent of the HOME Program is to expand the supply of decent, safe, sanitary and affordable housing, to strengthen the abilities of state and local governments in providing housing and to assure that federal housing services, financing and other investments are provided to state and local governments in a coordinated, supportive fashion.

CDBG provides annual grants on a formula basis to entitled cities and counties to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low and moderate income persons. CDBG entitlement communities are eligible to apply for a guarantee from the Section 108 Loan Guarantee program.

Under both of these two programs, the City has made loans for housing rehab, down payment assistance and new construction. If the family stays in the home for a period of time, the loan is forgiven; however, there are times when the property owner/mortgage company must reimburse the City for money spent to rehab the home. The Housing and Neighborhood Programs Department has to track the loan amounts, loan payments, and balances for each loan in an Excel spreadsheet. No monthly bills are sent as the recipients of the loan were given payment coupons when the loans were first executed. Because these loans are virtually interest free, the City does not amortize loan payments. Every payment is recorded as an offset to Loan Receivable. Currently the City has approximately 10 of these loans that need to be tracked.

In addition to loans made to individuals, the City has also made several loans to developers to build low income housing. The term of the loan could be for as long as twenty years. Total outstanding loans made to developers are approximately \$600,000. The City indicated that it may fund more loans to developers in the near future. These loans are also tracked manually in Excel, but the City would like to automate the collection and tracking processes.

Customer billing statements are generated by the following systems:

- Excel
- Treasury Management System
- Access
- Word
- QuickBooks
- Rent Pro
- Police System

Cash registers are being used at the Fitness Center, the Zoo, Pro Shop at the Golf Course and Concession at the Golf Course.

CONSTRAINTS

1. The City does not have one centralized place to track all the AR activities. Each department uses its own manual system to meet their needs.
2. The City does not have a centralized place to track all of its customers.
3. The credit card machines at various retail locations do not tie to the POS system. Items sold on a credit card sale have to be manually entered into an Excel spreadsheet.
4. The credit card machines have a limitation of 70 transactions per batch. If more than 70 transactions occur, then a new batch has to be created.
5. False Alarm customers are setup in the system multiple times. There is no way to track multiple entries and inactive vendors.
6. Special Events does not have the ability to inactivate one time customers in the system once the event has occurred.
7. Write-offs are not recorded for any of the activities.
8. Street Cuts - If the applicant is from another city or state, they are required to file a 10K surety bond with the City Clerk, however, this practice is rarely enforced and the City has no recourse against payments due if the applicant moves out of state.
9. All the systems seem to lack reporting capabilities.
10. Since most of the billings are done manually, the systems do not have a way to track aging of receivables.
11. The systems lack integration with the General Ledger. Recording of cash receipts is,

for the most part, a manual process. Information from the Daily Balance Sheet reports is manually keyed in to the General Ledger by the Accounting Office.

12. The current AR and cash receipts systems do not provide real time information.
13. The POS system does not provide a sales tax breakdown.
14. The current refund procedures are very time consuming and cumbersome. For instance, the cash register at the Fitness Center cannot offset a credit memo with a debit memo. The Fitness Center Supervisor has to fill out a check request for a refund and submit it to the AP Office for processing. The River Market personnel do not issue refunds on their own. Any refund that has to be processed is done by the AP Office.
15. The system response time is very slow.
16. Billing statements are generated by different systems.
17. Rehab loans made to individuals and developers are tracked manually in an Excel spreadsheet.
18. Storage fees at the Impound are typically charged to the owner of the vehicle unless the costs are to be absorbed by the Police Department. If the Police Department covers the costs, there are a series of manual processes that need to be performed. First, a manager or supervisor has to prepare a manual credit memo to adjust the charges for which the owner is responsible, and then an invoice needs to be prepared manually and e-mailed to the Police Department. The charges are also manually tracked in Excel.
19. Condemnation costs incurred by the City are not recorded in the system as a receivable. Revenue is recorded only when payments are received. In addition, the process of notifying the Treasury Office of condemned properties by the Department of Housing and Neighborhood is done via telephone or email. Likewise, liens are released only when the Department of Housing and Neighborhood receives manual notification from the Treasury Office. This process should be automated.

PROCESS IMPROVEMENTS

Once the City implements the new ERP system, all the AR and cash receipts functions should be processed from the same system even though the activities take place at different City locations. AR and cash receipts activities will be real time and will automatically integrate to the General Ledger.

The City should centralize its customer database. Currently, customer information is maintained in several different systems.

The City should use the same POS system that can accommodate retail, ticketing and restaurant functionalities. This system should interface with the credit card machine, to avoid double entry into the General Ledger. POS systems need to also interface with Cash Receipts and possibly Inventory.

The City should determine how often the number of transactions on the credit card machines exceeds 70. If this occurs often, then the City should consider replacing the system with one that does not have this limitation.

The City should establish separate setup procedures for one-time customers. Many ERP systems provide the users with the option to create one customer code with multiple payees for all the one-time customers.

Once all the AR activities are consolidated into one system, the City should monitor AR aging reports to determine the collectibility of each receivable. Uncollectible receivables should be written off on a timely basis.

The City should take an inventory of all the manual AR and cash receipts reports that are currently being generated by the departments. Once a new system is implemented, these reports should be prepared using a centralized report writer.

For those refunds that require issuing a check back to the customer, the process should be done through AP. The signed request for refund, along with all the supporting documents, should be entered and scanned into the AP System by the bill payer of each department. When all the information is entered into the system, it should trigger the workflow tool to generate an approval action in AP. The AP Office will then approve and release the refund for payment. This procedure does not impact cash or credit card refunds.

The City should use one system to process all customer billing statements.

The City should automate issuance of manual credit memos by the Impound Vehicle Storage Facility to the Police Department. If part of the charge to the vehicle owner is to be absorbed by the Police Department, this charge should be treated as an internal service billing. In the new system, setup configuration for internal service billings will be closely related to pooled cash, so impound charges that are going to be paid by another department can be transferred based on the Fund or Agency number.

Under the new system, key information should be maintained in relation to condemned properties, including property owner, parcel identification number, property address, other contact information, lien number and amount spent by the City for repair and removal. The system should then generate a bill to the property owner. The payment process should entail either 1) Upon receipt of the bill, the property owner pays the City directly. Since information has already been entered into the system as a receivable, payment will be properly applied against the customer and the lien. At this point, the system should automatically trigger workflow to release the lien, 2) Condemned properties are submitted to the County's Treasurer's Office at year end, so the lien amounts are included in the owner's upcoming property tax bill. Once property tax payments are collected by the County, the County should remit the lien portion to the City. This second method has not occurred yet, since the City missed the deadline last year to submit lien information to the County.

The City needs to coordinate with the County to ensure that payments are received accurately and timely.

NEEDS/REQUIREMENTS

1. The system should have an integrated AR and Cash Receipts subsystems that provide real time information and interface to POS systems.
2. The customer database in the new system should provide the ability to assign a different class code for each type of customer. It should provide different options to treat one-time customers.
3. The new system should either come with its own POS system or be able to interface with the City's systems. In addition, credit card machines should be linked to the POS systems to avoid manual entry to a separate Excel spreadsheet.
4. The City should determine how frequently credit card transactions exceed 70 per day per location. If this occurs frequently, then existing credit card machines should be replaced to eliminate this constraint.
5. The system should provide AR aging reports to track the collectibility of outstanding receivables.
6. The new system should provide robust reporting capabilities.
7. The system should provide a Billing module that is capable of creating different user-defined forms for different types of enterprise activities.
8. The new system must be able to track rehab loans made to individuals and developers. At a minimum, the system must maintain records for payment history, loan amount, date of award, forgivable expiration date, date payments are made, and the balance of the loan. The system should set up loan recipients as customers in the system, with their corresponding name, address, address of properties assisted and method of eligibility.
9. The system should provide the ability to tie a customer code to some sort of geobase of street addresses for business license billing, recipients of housing assistance, etc.
10. The system must be able to track subscribers to the Fitness Centers and generate monthly billing statements.
11. The system must be able to accommodate internal service billings.
12. The system must provide workflow tools to trigger business events, such as approvals, notifications, release of liens, etc.

Individuals who attended the needs assessment session:

- Gwen Dedmon – Parking Enforcement
- Floretta Bradford – Housing & Neighborhood Programs
- Scott Massanelli – Finance/Treasury
- Lisa Tatum – Traffic Court
- Don Wells – Police
- Marilyn Clark – Police
- Mary Ellen Ewing – Finance
- Donna Facen – Finance/Fixed Assets
- Carroll Hangrove – Zoo
- Linda Walker – IT
- Diana Iles – Fleet Services
- Anita Bunche – Parks & Recreation
- Charles Humphrey – Parks & Recreation
- Kathy Lindsey – Parks & Recreation
- Roger Yonk – Fleet Services
- Gloria Markus – Finance/Treasury
- David Neal Zuber – Finance/Treasury
- Glenda Massie – Fleet Services

J. PROJECT ACCOUNTING / GRANT ADMINISTRATION

NEEDS ASSESSMENT / REQUIREMENTS DEFINITION			
Client:	Little Rock	Functional Area:	Project Accounting & Grant Administration
Prepared by:	Nancy Schafer	Last Update:	August 19, 2005
Person(s) Interviewed:	See List Below	Date of Interviews:	July 13, 2005
<p>CURRENT PROCESS</p> <p>Special Projects</p> <p>The Special Projects Office is responsible for the tracking of all special projects as well as the Local Match portion of grant funded projects.</p> <p>The funding sources for special projects come from one of several sources. These include:</p> <ul style="list-style-type: none"> • Bond proceeds. • Miscellaneous revenue not anticipated at the beginning of the fiscal year. • City Manager/Board of Directors directed activities. • Fund 105 is funded by transfers from the General Fund. In 2005, the General Fund allocated approximately \$4 million to Fund 105 for programs such as Children, Youth & Family. • Fund 210 is funded by donations or sources other than grants and bonds. <p>The basic account structure is Fund/Agency/Organization. Projects are currently tracked within the accounting structure at the Organization level. When the City needs to define a special project, they replace the Organization code with a Project code (i.e. Fund – Agency – Project) because there is no separate Project Ledger to track projects. Because of this, the Organization level is cluttered with project codes. The Fund/Agency/Organization structure typically identifies an organization unit within an entity.</p> <p>The City does not develop budgets for special projects even though estimated costs for the entire project are usually available. Once a special project has been identified, a Special Project Account is set up to track the activities. Special projects are not appropriated due to the fact that the system does not handle multi-year projects well. Currently, there are 22 Special Revenue Funds at the City. Special projects that are not funded by bond proceeds are in the 200 series Funds in the General Ledger. Projects that are funded by bond proceeds reside in the 300 series Funds.</p> <p>The Special Projects Supervisor is notified of any new special projects either by the City Manager's Office or the Finance Director.</p>			

If a project involves different phases or elements, separate project numbers are set up. In order to obtain cost information on the entire project, users need to manually sum the cost for each of the individual project numbers.

Currently, the City budgets a lump sum of \$150,000 for the Local Match portion of all the grants. When the Grants Manager notifies the Special Projects Supervisor of a new Local Match, funding has to come out of this lump sum.

On a monthly basis, the Special Projects Supervisor prepares a "Special Projects List", a report from DB2 that lists the status of each project. This report is sent to all the departments for their review. In addition, each department also tracks their own project status manually.

The current system does not allow a project to be inactivated from the database, no matter how old it is. There are projects that go as far back as 1988 in the system that have been flagged as inactive, but that still show up on the reports. If data is downloaded from AMS into DB2 or Excel, users have to manually delete inactive projects from their current reports.

Grant Administration

The Grants Management Division oversees federal and state grants received by the City. The various departments within the City apply for their own grants but must utilize internal procedures during the application process. Grant applications must be sent to the Grants Management Division and approval must be obtained from Grants, Finance Director and the City Manager before submittal to the funding agency. Grants that have been awarded to the City are used to improve the quality of life and to create economic opportunities for citizens of Little Rock.

The departments and the types of grant funds received by the City are listed below:

Department	Funding Agency
Parks	<ul style="list-style-type: none"> Arkansas Department of Parks and Tourism US Department of Interior Arkansas Human Services Department
City Manager's Office	<ul style="list-style-type: none"> Arkansas Department of Economic Development
Community Program	<ul style="list-style-type: none"> Arkansas Department of Health
Housing	<ul style="list-style-type: none"> Arkansas Department of Historic Commission US Department of Housing and Urban Development
Planning	<ul style="list-style-type: none"> Arkansas Historic Preservation Program
Public Works	<ul style="list-style-type: none"> Arkansas Highway Department US Federal Highway Administration through the Arkansas Highway and Transportation Department US Department of Transportation through Central Arkansas Transit Authority US Department of Energy US Dept. of Commerce, Economic Administration The Economic Development Authority

	<ul style="list-style-type: none"> Arkansas Department of Emergency Management
Zoo	<ul style="list-style-type: none"> Arkansas Department of Parks and Tourism
Fire	<ul style="list-style-type: none"> Department of Homeland Security Arkansas Department of Emergency Management
Police	<ul style="list-style-type: none"> Arkansas State Police Department US Department of Justice Arkansas Department of Finance & Administration

The Grant Management Division works closely with City departments to ensure that grants are being administered and managed in accordance with the federal and state guidelines. The Division performs the following tasks:

- Monitors grants quarterly to ensure that expenditures are allowable.
- Provides technical assistance and training to department grant administrators, as requested.
- Assists in preparing quarterly and semi-annual financial reports.
- Ensures submittal of quarterly or annual performance reports.
- Provides monthly financial reports to departments.
- Submits specific monthly reports to departments on individual grants.
- Meets with departments and discusses the status of projects and defines strategies for completing projects.
- Prepares request for payment reimbursements and works with departments to submit payments to funding agencies.
- Reconciles accounts and prepares journal vouchers as needed.
- Ensures that projects are completed on schedule or amendments are requested.
- Establishes and maintains accounting records for all grants.
- Performs monthly revenue reconciliations between accounts recorded in the automated collector system to those recorded in the grant accounts. Ensures revenue is properly recorded and traces any discrepancies.
- Performs monthly reconciliation of revenues and expenditures.
- Performs reconciliations between the General Ledger and Budget for prior years, current year and multi-year grants.
- Verifies accounting codes and transactions for all grants.
- Assists Finance Department staff in interpreting originator guidance and regulation to ensure compliance with local, municipal, state and federal programs.
- Monitors Purchase Requisitions from programs and participating agencies for propriety and fund availability.
- Performs research and compiles narrative and statistical reports for the Director of Finance, City Manager, and Board of Directors.
- Prepares audit schedules and year end closing entries and reconciliations.
- Prepares applicable journal vouchers and transfers.
- Reconciles monthly bank statements to accounting records.
- Records deposits for all projects.

Approximately 50% of the grants require some sort of Local Match which can either be in

the form of cash or in-kind. In-kind matches may include direct labor, fringe and supplies. These costs are currently tracked manually by the departments. The cash matches are assigned account numbers and are tracked in AMS, but have to be added to the total grant amount.

Grant Application

Whenever departments apply for a grant, they complete an application and a Grant Summary Form before forwarding the package to the Grants Manager. The information on the Grant Summary Form will be recorded manually in Excel by the Grants Manager and a new Grant Number will be created in Fund 700 upon award. If Local Match is required, the Special Projects Supervisor will ensure that the City has sufficient resources to meet the Local Match. If Local Match money is available, then the Grants Manager will send the form to the Finance Director and the City Manager for approval. Once the Grant Summary Form is approved, the departments can submit their grant application to the funding agency.

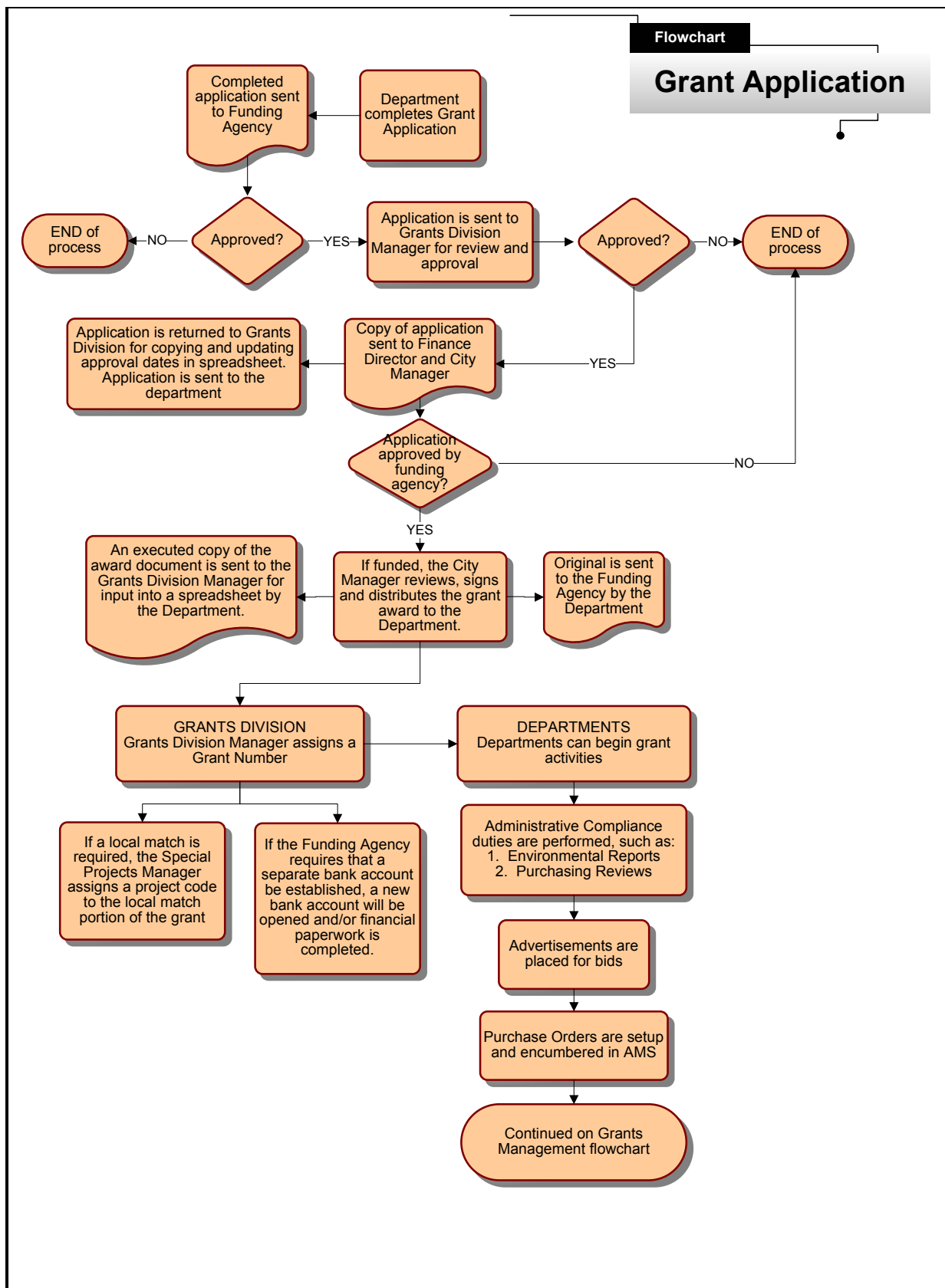
The new application will then appear on the manually prepared "Pending Grant Application" report, which is updated on a daily basis. Once the Grants Management Division is notified that a grant application has been approved, then the Special Projects Supervisor, Alan Bohannon, will need to assign a Project Number for the Local Match portion. In order to see total expenditures incurred for a particular grant, the total grant amount (within Fund 700) will have to be manually added to the total Local Match amount (defined by Project Number). Funds are earmarked in the Special Projects Account after approval by the City Manager, if award is anticipated during the existing fiscal year. If funds are needed in the upcoming year, they are entered on an Excel spreadsheet that is maintained for next year's budgeting purposes and forwarded to the Budget Division for use in preparing next year's budget.

When the grant award document is approved by the funding agency, the department will send a copy of the grant to the City Manager for his/her signature. One copy is sent back to the funding agency and the City retains the other copy.

Once a grant has been set up, several things may need to take place depending on the requirements of the funding agency. A new bank account may need to be created. Some funding agencies require that the City open a separate non-interest bearing account to manage payments and grant reimbursements. (Note: the City is not required to set up a new bank account for every new grant. If there is a requirement for a non interest bearing account, one account is sufficient for all grants that have this requirement.

The Purchasing Office will need to be involved with any contract or purchase that is funded by grant money to ensure that the applicable city and state procurement guidelines are followed.

(See next page for Grants Application flowchart diagram)

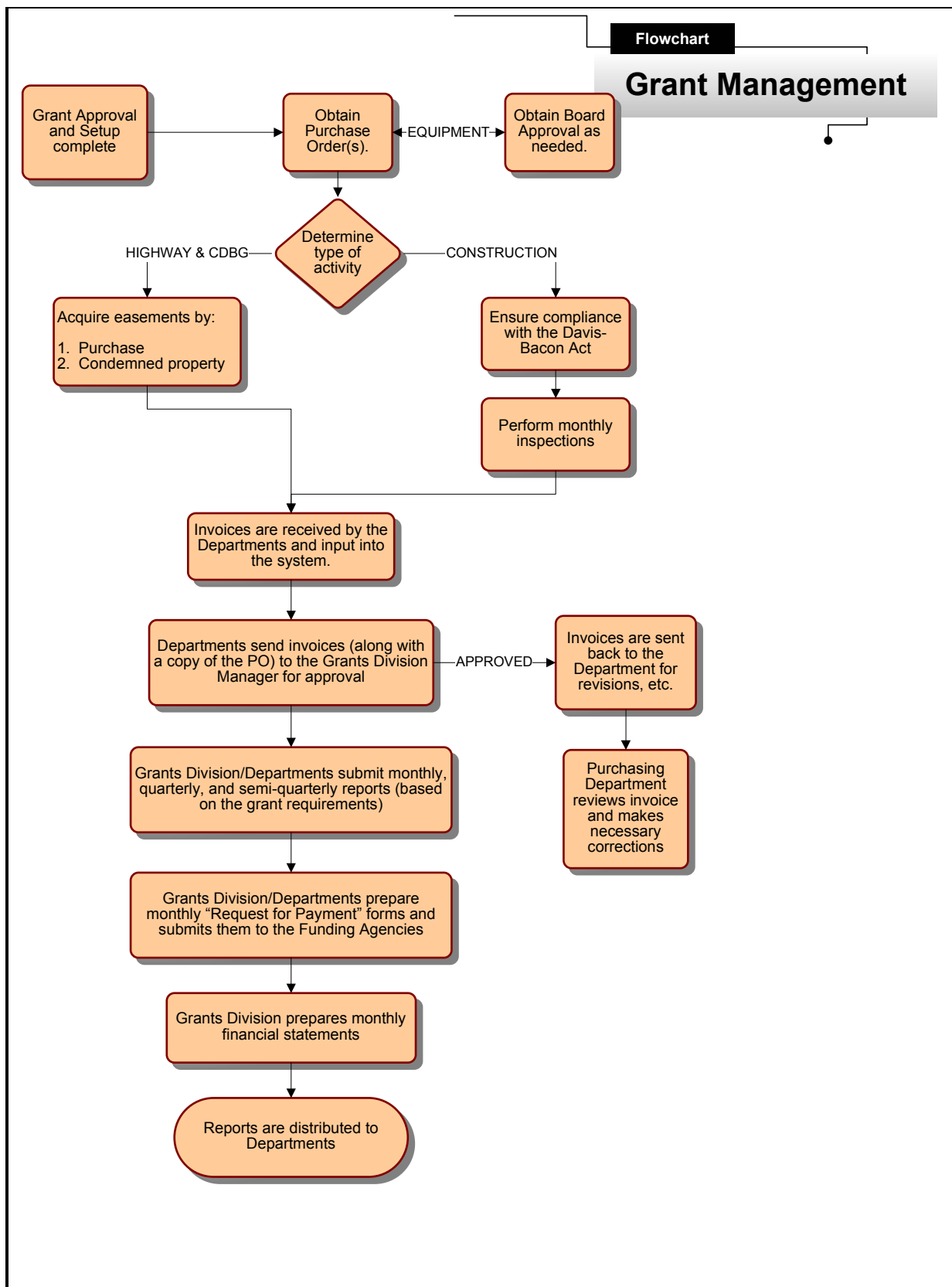


Grant Purchase Orders and Invoices

The Grants Manager reviews and approves all grant related PO's. Certain contracts awarded by the Federal Highway Administration and HUD involve acquisition of easements; either through condemnation or an out right purchase. The Grants Manager will ensure that the City follows the Model Uniform Relocation and Assistance Act of 1970 and Environmental Compliance requirements by working with the applicable departments. For those grants that involve construction activities, the Grants Manager will ensure that applicable federal regulations, such as the Davis-Bacon Act, are being followed throughout the construction process.

Invoices are prepared by the departments for grant payments and entered into AMS by following the required procedures for processing payments. Invoices are typically sent directly to the departments, and then forward them to the Grants Management Division. The Grants Manager reviews the invoices to ensure that they are accurately coded, the incurred costs fall under one of the line items in the grant, and that there is enough money in the budget for payment. For invoices that involve a PO, the Grants Manager will send the invoice to Purchasing to ensure that the calculation of Sales and Use Taxes are correct. If Purchasing does not have to make any changes to the invoice, they will forward the invoice to the AP Office for payment.

(See next page for Grant Management flowchart diagram)



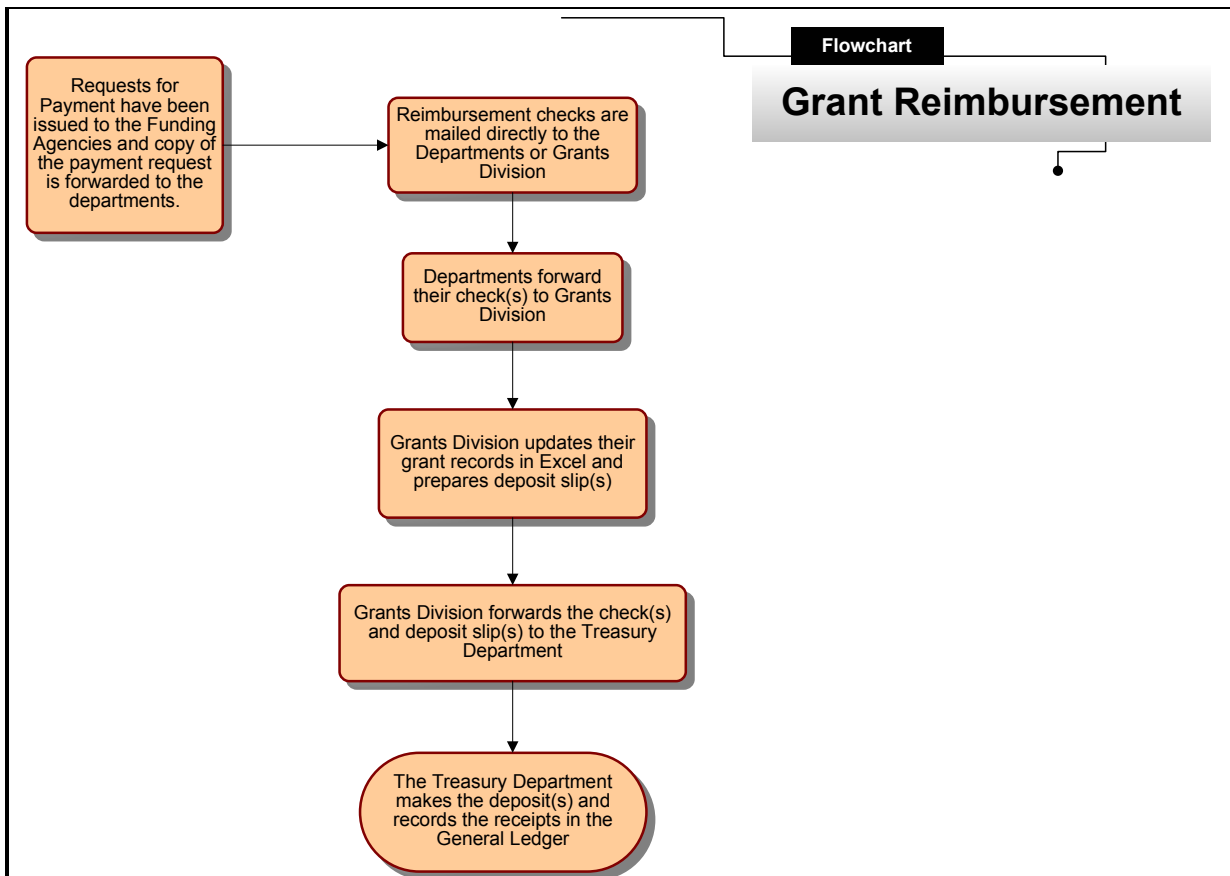
Grant Drawdown Process

Most grants are paid on a reimbursable basis. In past years, the City did not have any written policies on the frequency of drawdown preparation, but since then, the Grants Manager has implemented procedures to perform the drawdown on the 1st of every month. Currently, this date is being changed to the 20th. The only exception to this rule is if the incurred expenditure is in excess of \$100,000, in which case, the drawdown occurs immediately.

The drawdown is either prepared on a Request for Payment form (developed in Excel by the Grants Manager) or on pre-printed Request for Funds form developed by the funding agency. Payment information is downloaded from AMS and entered into the Excel spreadsheet. From the spreadsheet, the Grants Manager can determine how much has been paid on each grant since the last drawdown. Direct funds from the federal government require specific drawdown procedures and Request Forms; however, some state agencies do not. There are a few grants whose funds can be drawn online. These are grants that are either funded in advance or grants whose payments are based on certain deliverables. Most federal agencies are moving towards online payment requests in the near future. Online drawdowns are performed by the Grants Accountant with the exception of a State Police Grant, which is performed by the Police Department.

Grant reimbursement payments are either received directly by the departments, mailed to the Grants Management Division or they are deposited directly into a City account. If payments are received by the departments, they bring the payment to the Grants Management Division so they can update the manual Excel spreadsheet used to track grant status, record the payment on the deposit sheet and code the sheet to the proper account. Once the deposit sheet is completed, the Grants Management Division will forward the check and the deposit sheet to the Treasury Office. Some checks are direct deposited and a transfer of funds sheet is completed by the Grants Accountant. This is the process for advance payment usually on grants awarded by the U.S. Department of Justice for the Police Department.

(See Grant Reimbursement flowchart diagram below)



Grant Close-Out

Before a grant can be closed out, the Grants Manager will ensure that all the requirements and closing procedures imposed by the funding agency have been completed. Examples of these requirements include:

- A Status of Fund Report
- Financial Reports
- Final Equipment Inventory Report
- Performance Report

Some funding agencies allow recipients to close out grants online.

If there is still money left over in the grant, it must be returned to the funding agency. Most of the time, the City will spend down as close to the award amount as possible.

A grant is officially closed out after the City receives a formal grant close out letter from the funding agency.

At month end, the Grants Accountant posts deferred grant revenues and receivables via a journal entry. The amounts are manually calculated and the balance is adjusted each month end. No reversal journal entry is made since the balances are adjusted up or down

each month.

Miscellaneous Grant Issues

The City does not prepare grant budgets in the current system. Budget tracking and preparation is the responsibility of the department and the Grants Management Division is responsible for monitoring current expenditures and approving grant budgets. Although the current system will encumber PO's for grant funded projects (allowing the Grants Manager to determine the amount of available funds left on a PO), the system does not keep track of the total amount of funds remaining in the entire grant budget. This information has to be tracked manually on an Excel spreadsheet.

Projects/Grant Issues Affecting Public Works

Public Works manages many special projects for the City. These projects are mostly funded by bond proceeds and include renovation of fire stations, street improvements, traffic signals, intersection improvements, drainage improvements, parks capital upgrades, trail development, etc. For each station, street, ward, facility, phase, intersection and trail, a separate project code has to be set up. Public Works tracks its own projects and sub-projects in an Access database. These projects are also tracked in AMS by Org/Project numbers. The Access database cannot be used by Accounting for payment or audit purposes. Users can enter PO and direct payment information on the data entry screen. There are drop down menus for the project code, description and vendor name, but the line items have to be manually keyed in. Almost all projects are associated with just one vendor, typically the general contractor, who sub-contracts part of the work to other companies. The City is only responsible for paying the general contractor, unless a payment is made for easements and condemnations, in which case, the individual property owner is paid.

After the direct payment or invoice information is entered into the Access database, all the source documents are scanned into CabinetNG, an electronic filing application that can store documents in the appropriate project folder. Although CabinetNG does an excellent job of electronically filing away all the invoices and other source documents, these documents are not linked in any way to the transactions maintained in the Access database.

The Public Works staff codes the accounting information on the invoice and circles the amount to be paid in red. If the invoice package is grant related, Public Works will forward it to the Grants Manager for approval. However, if it is bond funded, approval must be obtained from the Bond Oversight Project Manager. Some invoices also require the approval of an engineer. Invoice packages are either personally delivered to AP Office or mailed via interoffice mail.

Public Works also uses another application called Appia, which tracks field activities. On any given date, information can be entered to document the weather, construction progress and/or additional materials needed. Once the superintendent of the contractor communicates to the City what has been completed in the field, this information is given to the Construction Manager, who converts the activities and units of materials into actual dollar amounts. This information is re-keyed into the Access database and AMS.

Projects/Grants Issues Affecting the Housing and Neighborhood Programs Department

The Housing and Neighborhood Programs Department manages two types of grants from HUD; Community Development Block Grants (CDBG) and the HOME Program Grants.

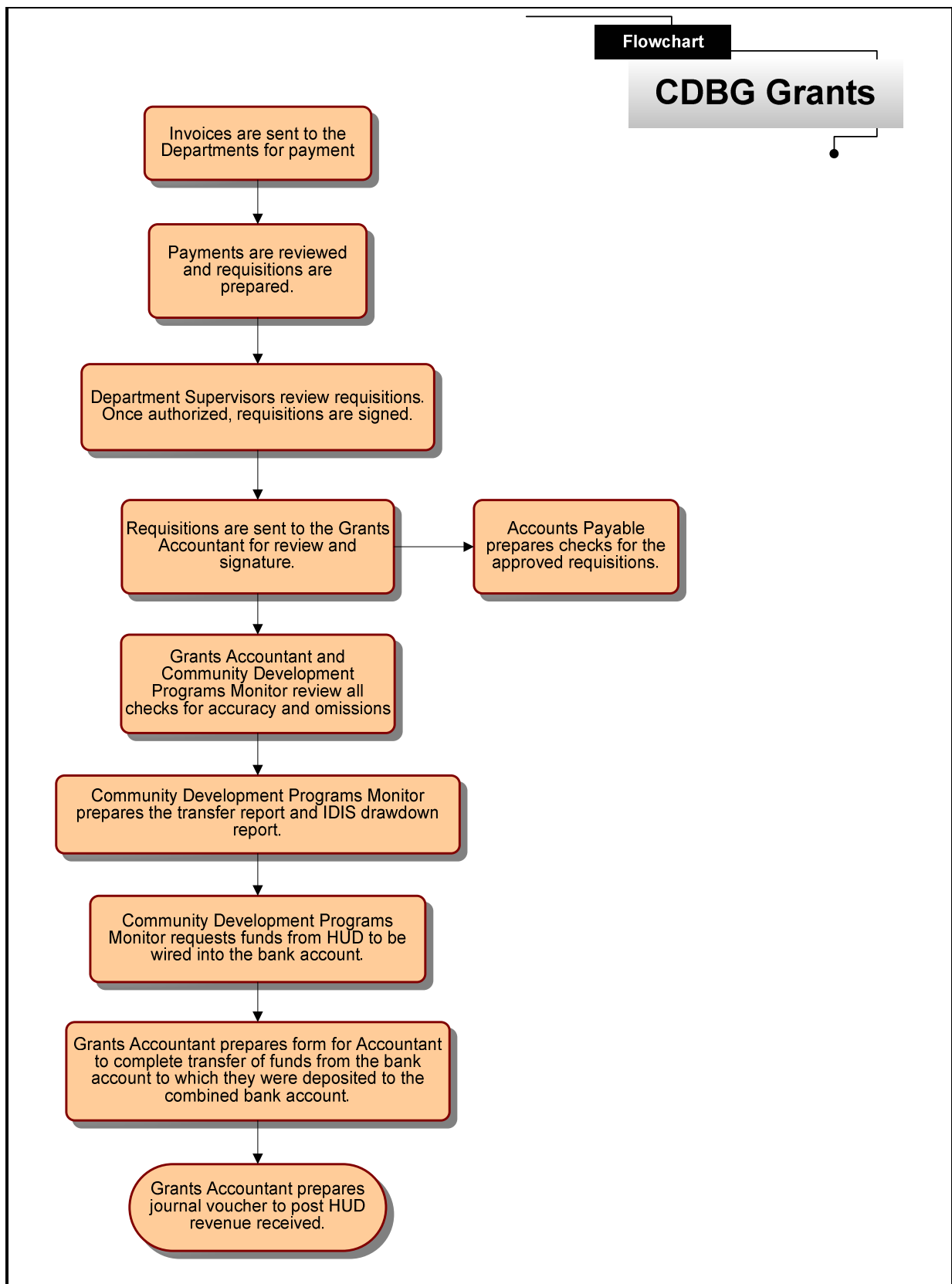
The intent of the HOME Program is to expand the supply of decent, safe, sanitary and affordable housing; to strengthen the abilities of state and local governments in providing housing; and to assure that federal housing services, financing and other investments are provided to state and local governments in a coordinated, supportive fashion. The City has used this grant for housing programs such as rehab, new construction, home sales, assisting and subsidizing non-profit and profit developers, etc.

CDBG provides annual grants (calculated on a formula basis) to entitled cities and counties to assist them in developing viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low and moderate income persons. CDBG entitlement communities are eligible to apply for a guarantee from the Section 108 Loan Guarantee program. Because CDBG is a flexible community development grant, the City has some leeway on how money should be spent. Some of the programs that have benefited from CDBG include meals on wheels, sidewalk and street improvements, low income house repairs, etc

Each year, the planning process of these programs starts in the summer. The City encourages citizen participation by meeting with the public to see what types of projects they would like for the upcoming year. By September, the Housing and Neighborhood Programs Department is ready to propose the use of money by project type to the Board. Once the Board of Directors adopts this action plan, a copy will be submitted to HUD. Upon HUD's approval, the information is loaded into an online HUD system, Integrated Disbursements Information System (IDIS). At this point, the information only contains project by type. As the City selects the specific projects to work on during the year, individual address will be identified and created in IDIS.

The department uses IDIS to perform its weekly drawdowns. When an invoice is received from one of these two programs, a check request is prepared and forwarded to AP for payment processing. AP generates a check run sorted by Agency Code and forwards the report to the department for review. Once all the amounts are deemed to be accurate, the department enters this information into IDIS to request reimbursement. Money will be sent electronically by HUD to one of the two bank accounts (CDBG or HOME) within two or three days of the request. Once the funds have been received, the Grants Accountant will notify the Treasury Office to move the money to the General Fund. This is done via a journal entry in AMS.

(See CDBG Grant flowchart diagram below)



One of the issues that the department faces is the tracking of program income. Occasionally, the recipients of low income loans or housing assistance fail to meet their obligations. In this situation, they are required to return the money funded by the City. The department treats this refund as program income and deposits the money back into the appropriate bank account. The program income can only be used for a similar type of project in the future, therefore, it is important to track the original source of the program income, otherwise, the City will be in violation of HUD regulations. The department also has to report the program income to HUD in IDIS. The City is required to use program income first for the same type of program before using entitlement money. Currently, the tracking of program income and future expenses is done on a manual basis in Excel by the department and is also tracked in AMS.

Another issue facing the department is the tracking of HOME programs at the street address level. For instance, under the Save a Home project, a type of HOME program, the City cannot inquire from the system on how much has been spent on each property (or address). This is tracked manually on an Excel spreadsheet.

The City will occasionally assist (lend money to) developers to build low income apartment buildings. Once the apartments are completed, the City is required to make an annual inspection to see how well each unit is being kept up. This also applies to low income homes that were funded by the City. Currently, the City is manually tracking the anniversary date of the inspections.

CONSTRAINTS

1. The City does not use the AR module to record grant revenue, as a result, grant receivables have to be manually calculated and recorded via journal entries at the end of each month.
2. The City does not have a Grant Administration system that tracks the full life cycle of a grant; from the grant application process to grant close out. The Grants Management Division has to manually track reporting, compliance and other administrative tasks on a manually basis. This manual calendaring system is susceptible to human error and important due dates may be overlooked.
3. The City is tracking in-kind Local Match manually by gathering data from different sources.
4. The City has not completed setting up all the grants in the Excel spreadsheet; therefore, it does not represent a comprehensive listing of all open grants.
5. The monthly financial statements created by the Grants Manager and Special Projects Supervisor do not always agree to the manual spreadsheets maintained by each department. The difference is mostly caused by timing and by journal vouchers prepared by the Finance Department that have not been entered into the departments' spreadsheets.
6. The City does not have a cost accounting system in place to allow proper development of an Indirect Cost Allocation (IDC) rate. Most funding agencies allow the grant recipient to include an IDC rate in their application as they recognize that

indirect labor and material costs are typically associated with grant administration. The City is not maximizing its funding opportunities if IDC rates are not used.

Using the guidelines from OMB Circular A87, the Grants Manager recently came up with an approved IDC rate of 18.8% based on 2003 financial information. This rate must be updated annually in order for the City to continue using it. Once the City starts including IDC rates in their grant applications, the City will be subject to IDC Audits initiated by the funding agencies. Without formal procedures for the calculation of the annual IDC rate, the funding agency may disallow this practice in the future.

7. A separate project number has to be created to track cash and in-kind matching of a grant funded project. In order to see total costs incurred for that project, the user would have to manually add up the activities of both the project code and the grant code.
8. The City's currently system does not maintain project and grant budgets even though manual budgets are tracked by individual departments. Also, some of the expenditures do not go through the PO process; therefore, there is no way of knowing exactly how much money is left on the project/grant. As a result, the Grants and Special Projects Divisions have to maintain a manual Excel spreadsheet in order to have all the data in one place.
9. The current system does not easily provide detailed information about how many PO's have been issued or how many outstanding invoices have been received against a special project. The users would have to perform additional inquiries and manual data manipulations before this information can be obtained.
10. If a project involves different phases or elements, separate project numbers need to be set up and users have to manually sum the totals for these project codes to obtain financial information for the entire project.
11. The current system does not effectively inactivate a project from its database no matter how old it is. There are projects that go as far back as 1988 in the system. Although these projects have been flagged as inactive, they still show up on reports. If data is downloaded from AMS into DB2 or Excel, users will have to manually delete inactive projects from their current reports.
12. Because the current system does not have a separate Projects/Activities Ledger, each time a new project code is set up, a separate Fund/Agency/Org has to be created, which clutters up the General Ledger.
13. The City should use a pooled cash account to process those grant payments that are currently processed through the General Fund's operating account. Please refer to the Accounting & COA section for more details on pooled cash.
14. The Housing and Neighborhood Programs Department has to track how much money is spent on each address. This detailed information is being tracked manually in an Excel spreadsheet.

15. The City does not have a calendaring system to remind the Housing and Neighborhood Programs Department of the anniversary date of properties they need to inspect.

PROCESS IMPROVEMENTS

The City does not utilize its AR module to track grants receivable. The amount of outstanding Request for Payments is manually extracted from DB2. At month end, this information is adjusted against current balance sheet totals per AMS and used to create a journal entry to update the balance of grants receivables. In the new system, the City should use the AR system to process Request for Payments where each funding agency is set up as a customer. Using the AR system will allow the City to obtain real time information on outstanding receivables and generate aging reports to follow up on delinquent payments.

The City should ensure that the new ERP system comes with a Grant Administration module that allows the tracking of the entire life cycle of a grant, from the application process to grant close out. It should include a calendaring system that is user-defined to track certain events and milestones. This module should utilize workflow to move documents electronically for signature and approval and have reporting capabilities to run grant status reports in real time. It should interface with the General Ledger, Projects/Activities, Asset Management, Purchasing, AP, AR and possibly Payroll and HR. The interface to Payroll will allow the City to track in-kind Local Match if it involved direct labor and fringe costs.

Prior to data conversion into the new system, the Grants Management Division should capture all the grants that are currently not on the Excel spreadsheet.

In the new AP System, it must be able to accommodate multiple bank ID's to accommodate separate grant checking accounts that are mandated by the funding agency.

The City should develop an IDC rate based on auditable cost accounting data. The use of IDC rate will maximize funding opportunities and allow the City to start including administrative expenses associated with monitoring grants. This is especially critical for transportation grants as they usually involve a complex set of requirements to administer. The City should be reimbursed for this indirect effort.

The City's new Chart of Accounts must be able to accommodate projects with multiple phases and/or elements as well as Local Matches. Currently, separate project codes have to be set up to accommodate these types of projects.

Currently, the City excludes grants recorded in Fund 700 and Special Projects from its budget. Once a separate Project Ledger is implemented, the City should consider adopting project based budgeting, by line item or by object code.

Another advantage of using a separate Project Ledger is to minimize creating new Org Numbers on the General Ledger. It is possible for the General Ledger to have just one administrative Org Number, while all the detailed project numbers are tracked in the Project Ledger. The sum of the projects can be defined to roll up to a particular Special Revenue Fund on the General Ledger side.

The new system should prevent inactive projects from showing up in current reports.

Once most of the manual grant monitoring processes is eliminated, the City should allocate resources to explore and research for new grants that may be available and beneficial to the City. Most of the current grants are repeat grants from prior years.

The new Project Ledger should be used extensively by the Housing and Neighborhood Programs Department to track program income and future expenditure that will be funded by the program income.

The account code structure in the new system should be flexible and detailed enough to track expenditure down to the parcel or street address level for housing programs. For instance, each parcel or street address could be a set up as a separate sub-project on the Project Ledger. The users must be allowed to roll up the detailed costs based on user-defined summary rules.

NEEDS/REQUIREMENTS

1. The City needs a Grant Administration system to track the entire life cycle of the grant, from the application process to grant close-out. Currently, all the compliance and reporting requirements are tracked manually by the Grants Manager.
2. The new system must have a calendaring system that is user-defined to track certain report due dates, milestones and other events.
3. The new system should interface with General Ledger, Projects/Activities Ledger, AP, Purchasing, Payroll, HR, AR and Asset Management.
4. The Projects/Grants system should provide a robust report writer to replace all manually prepared reports by the Grants Management and Special Projects Divisions as well as all the recipient departments.
5. The new system should provide the capability to budget project/grant revenue and expenditure (by line items) for individual projects/grants.
6. The system should accommodate multiple checking accounts to go through the AP System. Some funding agencies require that the City establishes a separate non-interest bearing account to track grant activities. These activities should not be excluded from the normal AP routine.
7. The new system should provide the ability to budget IDC rates and provide internal service billing capabilities allowing indirect costs to be transferred from supporting departments to the grants.
8. The system should provide the ability to generate balance sheet information at the grant or project level. This is especially important for those grants that are required to have their own checking account.

9. The system should automatically generate the next available project/grant number. It has to be able to distinguish between different grant requirements. For example, the City uses an X series to denote grants that do not require a grant match, a Y series for grants that do require a match and a Z series that correspond to the Y series to show the actual match. The ability to distinguish different requirements can be accomplished by having multiple autoseeds in the system.
10. The system must, at a minimum, include the following data fields: 1) CFDA number, 2) internally generated grant number, 3) funding agency, 4) name of the program, 5) type of funding agency (state, federal, local), 6) award number, 7) department, 8) project number (if different from grant number), 9) specific reporting requirements, 10) award amount, 11) point of contact, 12) grant description / special conditions, 13) grant start date, 14) grant end date, and 15) extensions requests. Furthermore, if it is integrated with Purchasing, AP, AR, Budget, Asset Management, information such as PO number, vendor name, vendor ID, invoice number, check number, and encumbrance, budget amount, asset classification, grant receipts (including program income) should be readily accessible. The system should provide the capability to run financial statements by grant and project.
11. The account code structure of the new system must be able to accommodate projects with different phases, elements and Local Match.
12. The new system should exclude project codes in all the reports once they have been flagged as inactive.
13. When funds are transferred between a special project and the General Fund, the system must be able to provide either a memo field or a description field to document why the transfer was made. (Project closed, program ended, balance the budget, etc.). This could be addressed if the system allows the users to attach scanned image of supporting documents to the transfer.

Information Collected:

1. Internal Procedures for Close-Out of Grants.
2. Introduction write up about the Grant Management Division.
3. Sample Request for Payment Log and Receipt Verification Record.
4. Sample Special Projects List – SP02.
5. Sample Monthly Grant Report.
6. Internal Procedures for Setting up Projects.
7. Sample Pending Grant Application Report.
8. Sample Grant Summary Form.

Individuals who attended the needs assessment session:

- Claudine Forte – Finance/Grants
- Suzette Ward – Public Works

- Brian Minyard – Planning
- Matt Burks – Fire
- Nathan Spicer – Emergency Management Specialist
- W.J. Monagle – Community Programs
- Mike Hood – Public Works
- Alan Bohannon – Finance/Special Projects
- Sheila Garrett – Finance/Grants
- Lottie Brooks – Finance/Grants
- Donna Facen – Finance/Fixed Assets
- Bobbie Forbush – Zoo
- Mary Ellen Ewing – Finance
- Peggy Harstvedt – IT
- Vesba M. Parks – Parks & Recreation
- Anita Buncke – Parks & Recreation
- Kathy Lindsey – Parks & Recreation
- Don Wells – Police
- Michael McDonald – Fleet Services
- Michael Williams – Fleet Services
- Gay Spencer – Police
- Marilyn Clark – Police
- Barbara Osborne – Community Programs
- Joan Bohannon – Housing & Neighborhood Programs
- Lisa Spigner – Housing & Neighborhood Programs

K. WORK ORDER

NEEDS ASSESSMENT / REQUIREMENTS DEFINITION																															
Client:	Little Rock	Functional Area:	Work Order																												
Prepared by:	Paul Chen	Last Update:	July 24, 2005																												
Person (s) Interviewed:	See Last Page	Date of Interview:	July 14, 2005																												
<p>CURRENT PROCESS</p> <p>Currently, the City has at least six distinct Work Order Systems used by various departments (Public Works - Solid Waste, Public Works - Building Services, Parks and Recreation, Public Works – Operations, Zoo, and Fleet Services). Two systems (Park and Recreation & Public Works – Operations) are currently getting hourly rate data from the Payroll System electronically on a bi-weekly basis. The hourly rate is used to calculate cost for the work provided. The following table describes the platforms of the current Work Order systems.</p> <table> <tr> <th>Department</th><th>Front End</th><th>DBMS</th><th>Platform</th></tr> <tr> <td>Zoo (Vendor solution)</td><td>Maintain Pro</td><td>Maintain Pro</td><td>Windows</td></tr> <tr> <td>Parks and Recreation (Developed by IT)</td><td>Microsoft .NET (Client/Server)</td><td>MS SQL Server</td><td>Windows</td></tr> <tr> <td>Public Works – Building Services (Developed by IT)</td><td>Microsoft .NET (Client/Server)</td><td>MS SQL Server</td><td>Windows</td></tr> <tr> <td>Public Works – Operations (Developed by IT)</td><td>Microsoft .NET (Web)</td><td>MS Access</td><td>Window</td></tr> <tr> <td>Fleet Services (Vendor Solution)</td><td>Faster</td><td>Oracle</td><td>Windows</td></tr> <tr> <td>Public Works – Solid Waste (Developed by Public Works staff)</td><td>Dbase for Windows</td><td>Dbase for Windows</td><td>Windows</td></tr> </table> <p>Figure 1 Application Platform</p> <p>In general, these departments use their own Work Order System to manage work processes, maintain inventory control, schedule work, keep track of work status, estimate work time based on historic data, and keep track of costs associated with the work provided by the department. Building Services' has a plan to implement a Geographic Information System (GIS) capability to facilitate finding work locations. Parks and Recreation Department is planning to go live with its next major revision sometime in August 2005. The Solid Waste Department uses a Work Order System developed by its internal staff in</p>				Department	Front End	DBMS	Platform	Zoo (Vendor solution)	Maintain Pro	Maintain Pro	Windows	Parks and Recreation (Developed by IT)	Microsoft .NET (Client/Server)	MS SQL Server	Windows	Public Works – Building Services (Developed by IT)	Microsoft .NET (Client/Server)	MS SQL Server	Windows	Public Works – Operations (Developed by IT)	Microsoft .NET (Web)	MS Access	Window	Fleet Services (Vendor Solution)	Faster	Oracle	Windows	Public Works – Solid Waste (Developed by Public Works staff)	Dbase for Windows	Dbase for Windows	Windows
Department	Front End	DBMS	Platform																												
Zoo (Vendor solution)	Maintain Pro	Maintain Pro	Windows																												
Parks and Recreation (Developed by IT)	Microsoft .NET (Client/Server)	MS SQL Server	Windows																												
Public Works – Building Services (Developed by IT)	Microsoft .NET (Client/Server)	MS SQL Server	Windows																												
Public Works – Operations (Developed by IT)	Microsoft .NET (Web)	MS Access	Window																												
Fleet Services (Vendor Solution)	Faster	Oracle	Windows																												
Public Works – Solid Waste (Developed by Public Works staff)	Dbase for Windows	Dbase for Windows	Windows																												

conjunction with its Municipal Utility Package Software (MUPS) to handle billing. The overall satisfactory rate is high across all system owners; however, they all agreed integration with the new ERP System would be a step forward.

All departments agreed that the following flowchart illustrates the general Work Order Process.

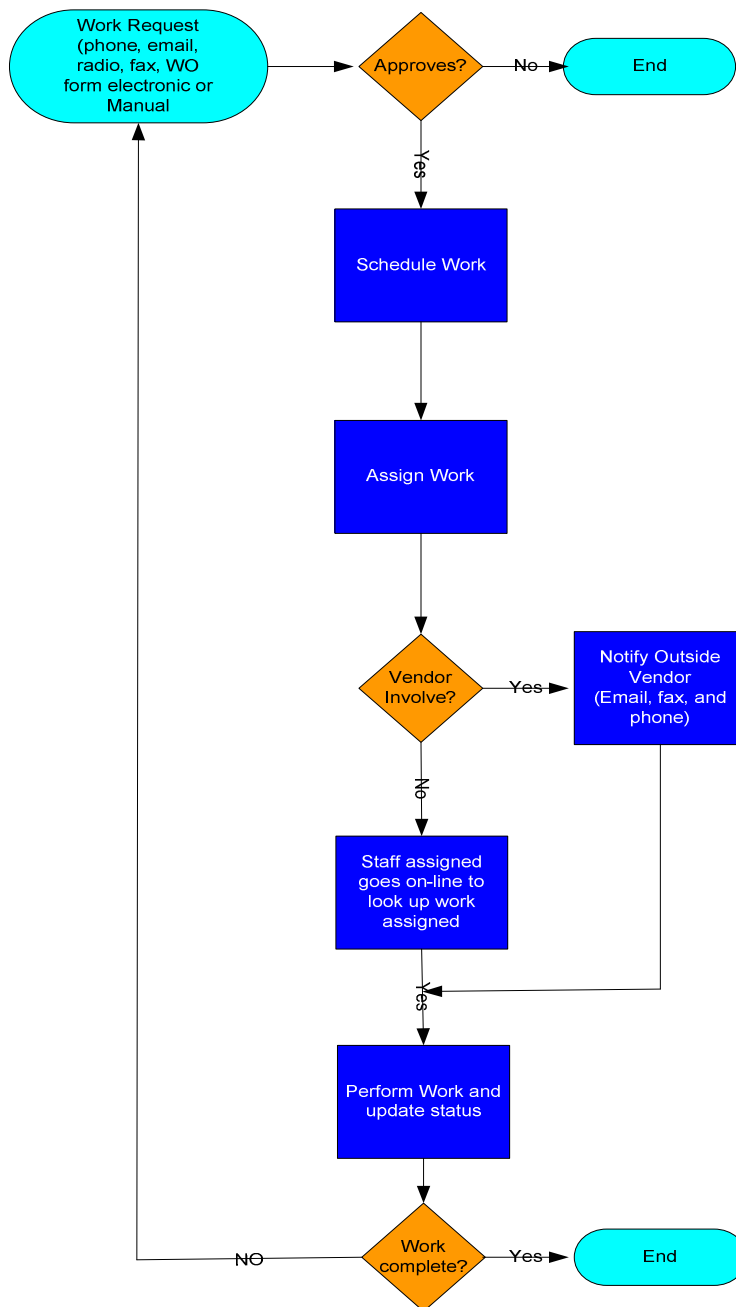


Figure 2 Work Order Process Flowchart

PROCESS IMPROVEMENTS

The City should consider centralizing the Work Order process, if possible, and utilizing the new ERP system as the official system of records. Centralizing may create some resistance as various system owners are very pleased with their own systems. Some of the advantages of a centralized system include:

- Less hardware needed to house the various Work Order systems and databases. Centralization will reduce hardware costs as well as overall system maintenance costs, such as Operating System (OS), OS upgrades and patches.
- There will be a standard look and feel across all Work Order systems.
- Easy access to acquire Work Order related information across the enterprise including financial information.
- The City only needs to develop one Disaster Recovery Plan (for one system backup) instead of for many.
- Less technologies to deal with, thus less technical training needed to support the systems.

If centralization is not a feasible option for the City, the City should consider working jointly with the ERP vendor to develop a Work Order interface plan.

NEEDS/REQUIREMENTS

1. The Work Orders systems should interface with Inventory, Procurement, General Ledger, Project/Activities, Payroll, Asset Management modules, and possibly Fleet Management.
2. The Work Order systems should support portable devices such as palm top for remote access. Remote users should have adequate update capabilities from their locations. At a minimum, the system should have the ability to update hours worked, work status, and inventory consumed.
3. The Work Order systems should include, or have the ability to integrate with GIS to facilitate finding work locations.
4. The systems should support electronic work requests.

Individuals who attended the needs assessment session:

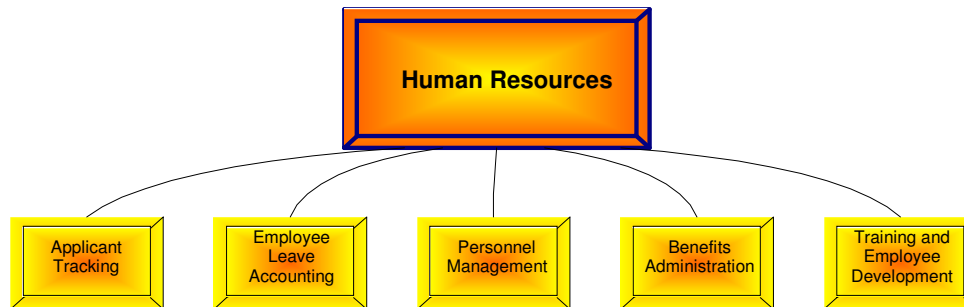
- Tony Dawson – Zoo
- Alan Bohannon – Finance/AP

- Jessie Tringleth – Public Work
- Michael McDonald -- Fleet Services
- Ralph Noll – IT
- Jim William – Fire
- Jeff Ralston -- IT
- Jim Sick – Parks & Recreation
- Matt Gardner – Parks & Recreation
- Warren Atkins – Public Works
- David Wooley – Public Works
- Bob Biles – Finance

HUMAN RESOURCES

The following diagram describes the functions that are managed by the HR Department at the City. We have conducted separate interviews and prepared separate needs assessment evaluation.

Functions Managed by Human Resources



L. APPLICANT TRACKING

NEEDS ASSESSMENT / REQUIREMENTS DEFINITION			
Client:	Little Rock	Functional Area:	Applicant Tracking
Prepared by:	Brenda Haskell	Last Update:	August 20, 2005
Person(s) Interviewed:	See Last Page	Date of Interview:	July 13, 2005
CURRENT PROCESS Regular Non-uniformed <p>In order to recruit a regular non-uniformed employee, a Department Director would submit an approved HR-1 form (Status Change/Personnel Request) to Human Resources. The HR Department would then decide whether the job posting would be internal (only open to City employees) or internal/external (open to the public). In order to be eligible to compete for a position that is only available internally, candidates would have had to be on the City's payroll during the internal posting period and also at the time of the job offer.</p> <p>Each HR-1 form is assigned a number and entered into an Access database and then forwarded to an HR Analyst. A list of applicants who have been determined to be qualified for the position is maintained (either based on testing or information provided in written form by the applicant). A vacancy will only be posted if an appropriate eligibility list does not already exist. Copies of the official announcement form will be distributed to all City users</p>			

and, as appropriate, to public and private agencies that provide recruitment resources. These announcements are also placed on the HR job line and on the City's internet home page.

Job announcements contain the following:

- Job title
- Salary
- Benefits
- Essential functions of the job
- Acceptable experience and training (i.e., minimum qualifications)
- Additional requirements (i.e., licenses, certifications, pre-hire screening)
- Application and selection process information
- Written test date, time, and location
- Closing date for application documents
- Other tracking descriptive information (i.e., position control number, effective date, advertising sources)

Applicants are required to submit an application for each desired position. Applications and documentation shall not be accepted after the end of the last business day of the open application period. Incomplete applications and/or packets will result in disqualification.

Applicants can be submitted on-line. From the City's homepage, a link is provided that connects to the HR website where applicants can view all job openings. Applicants have the option of either downloading an application form or applying directly online. To apply on line, the applicant must log in either as an existing user or as a new user. Once the appropriate fields on the application form have been filled in, the electronic application and resumes are stored so they can be accessed again through the City's website to apply for another position.

Employees seeking promotions or position changes must complete and submit an application for position change and any other required documentation to HR by end of business day on the closing date of the job opening.

The hiring authority is responsible for verifying certificates, diplomas, licenses, education and experience of referred applicants.

HR is responsible for determining which components are to be utilized for evaluating candidate qualifications and the knowledge, skills, and abilities needed for each vacant position. Any one or a combination of the following may be utilized:

- Training and Experience Questionnaire (Job History Information Supplement)
- Written Exam
- Practical/Skills Exam
- Application or Resume
- Other valid assessment instruments

Applicants meeting the minimum qualifications are notified when their application has been

referred to the hiring authority.

Applicants who do not meet the minimum qualifications (or that had incomplete applications) are sent a form letter to inform the candidate that they were not selected for the position and to reiterate the minimum requirements of the job, acceptable experience, and/or training for the position.

When a final candidate has been selected, the hiring department will notify HR. An Authorization to Hire form will be completed (with the new hire information) and HR will be contacted to schedule pre-employment screening based on the vacancy being filled. Offers are made contingent upon the candidate passing all pre-employment screening. If the candidate passes, then HR will notify the hiring authority and advise them to contact the candidate to schedule for sign-up.

New employee records and all application/hiring paperwork will be forwarded to Payroll and entered into the Payroll System.

Police

Applicant Requirements

In addition to passing all selected components, applicants for entry level Police Officer positions must meet the following criteria established by the State of Arkansas Commission on Law Enforcement, the State of Arkansas Civil Service Statutes, and the Little Rock Civil Service Commission:

- An applicant must be at least 21 years of age, but less than 46 to be hired as a Police Officer.
- An applicant must be at least 21-1/2 years of age, but less than 46 on the written test date.
- An applicant must have graduated from a standard high school or must have a high school equivalency certificate; i.e., General Education Diploma (GED).
- An applicant must have no felony convictions.
- An applicant must be of good moral character.
- An applicant must have acceptable vision (uncorrected visual acuity to 20/20 or better in each eye.)
- An applicant must possess normal hearing and be free of any hearing defect, which in the opinion of the physician, would adversely affect performance of duty. Hearing may be considered normal when a whispered conversation can be heard at 15 feet.
- Applicants selected for and offered employment will be required to pass a medical evaluation (including vision and hearing evaluations) and a psychological evaluation.
- An applicant must be a citizen of the United States at the time of hire.

Application and Selection Procedures

If applicant has a disability and requires reasonable accommodation in the application and/or testing process, Employment Services must be notified before the date of the written exam.

As a part of the application and selection process, each of the following steps must be passed before proceeding to the next step:

Step 1 – Written Test – This test is scored on a pass/fail basis. Applicants are not required to schedule for testing, but are encouraged to verify test dates. Application documents are completed before test administration at the test site. Police Officer test dates are posted via a job line and web site.

Applicants are required to bring the following to the written test administration:

- Valid Drivers License or picture ID.
- Social Security Card (original only, no copies).

Applicants who have not received an offer of employment will be removed from the pool of applicants 18 months from the date of the written exam. Applicants are permitted to test only once in an 18-month period. After 18 months in the pool, an applicant must start over at Step 1 to be considered for employment.

Step 2 – Physical Agility Test – This test will be scored on a pass/fail basis. Only applicants who have successfully passed the written exam will be eligible to participate in the physical agility test.

Step 3 – Pre-Background Investigation – Primarily directed towards criminal and traffic records.

Step 4 – Structured Interview by a Panel of Police Officers – This component will be used to rank applicants.

Step 5 – Full Background Investigation (including a polygraph exam) – The full background investigation will only be conducted for the highest ranked applicants. The Chief of Police will determine the number of candidates to consider for the next recruit.

Step 6 – Civil Service Commission Certification – The number of current and projected vacancies will determine the number of candidates recommended for certification. Special law enforcement training participants (i.e., Police Corps) may be certified separate from the general public.

Step 7 – Psychological and Medical Evaluation (including a drug/alcohol screening) – Such evaluations will be administered only for those candidates who have been offered employment.

Fire**Applicant Requirements**

Applicants for entry level Firefighter positions must meet the following criteria (list is not all inclusive):

- An applicant who is at least 20-1/2 years of age but less than 32 years of age* by the date of the written exam may begin the selection process. However, no person shall be hired as a Firefighter who has not arrived at the age of 21 years or who has arrived at the age of 32 years. Any applicant who arrives at the age 32 during the selection process shall be immediately disqualified and will not be eligible to receive an offer of employment.

(*Exception for Maximum Age – Any person who has at least 2 years of previous experience as a paid Firefighter with another Fire Department and whose years of experience as a paid Firefighter when subtracted from the person's age leaves a remainder of not more than 32 years.)

- An applicant must have graduated from a standard high school or must have a high school equivalency certificate (i.e., General Education Diploma (GED)).
- An applicant must have no felony convictions.
- An applicant must have acceptable vision (uncorrected visual acuity must not exceed 20/50 in either eye, correctable to 20/20 in the stronger eye and 20/30 in the weaker eye).
- An applicant must be a citizen of the United States by date of hire.
- An applicant must be in good physical condition. A Firefighter candidate must pass a post-offer of employment medical evaluation and drug screen; including a vision evaluation (refer to Step 4 below).
- An applicant must be of good moral character. Eligible candidates for employment are subject to background investigation.

If an applicant has a disability and requires reasonable accommodation in the application and/or testing process, HR - Employment Services must be notified before the date of the written exam.

Application and Selection Procedures:

Application documents will be provided and completed during written exam. Resumes and background information will be required at a later date and will not be accepted during the written test.

Step 1 – Written Exam – The test dates will be announced and the Fire and HR Departments reserve the right to make additions, revisions, deletions, or sequential

changes prior to the test date(s). The HR Department will administer a written exam. Applicants who do not pass the written exam will not be eligible to participate further in the process.

Step 2 – Physical Agility Test – This test is designed to determine physical capabilities related to the work of a Firefighter. The physical agility test will be administered to all applicants passing the written exam.

Step 3 – Preliminary Background Check – This check will be directed primarily toward criminal and traffic records.

Step 4 – Structured Panel Interview – Applicants passing the written exam and physical agility test will be scheduled to participate in the structured interview component conducted by a panel of trained raters.

Step 5 – Background Investigation – Based upon projected vacancies, applicants who complete the structured panel interview will be subject to the background investigation. This background investigation will include, but is not limited to, previous employment records, traffic, and criminal violations, educational background, and military service record.

Step 6 – Ranking/Civil Service Certification – Candidates will be ranked on the basis of a composite score (i.e., combination of the written exam and the structured interview score). Based upon rank and projected vacancies, a list of candidates will be certified as eligible for hire.

Step 7 – Medical Evaluation and Drug/Alcohol Test – Following an offer of employment, but prior to employment, candidates must undergo a medical evaluation and drug test (at the City's expense) by the City's physician. Employment will be contingent upon the results of the medical evaluation and drug/alcohol test.

Vacancies (Positions To Be Filled)

When a decision has been made to fill a vacancy, the Fire Chief will select one of the three highest standing on the eligibility list to fill the vacancy. Any offer of employment will be contingent upon the results of a medical evaluation, drug test/alcohol and any other pre-employment screenings.

TempForce and Part-time

Persons working for TempForce are considered employees of the HR Department. These employees are recruited, tested and selected by HR personnel. TempForce personnel are placed in short-term positions to meet staffing needs. A TempForce database pulls billing information from the Payroll System and the TempForce Coordinator enters hours worked for all TempForce employees (approximately 20 – 30 at any one time).

Hired, part-time employees are currently being tracked in the Zippy database; however, persons interested but not hired in part-time employment are not tracked in Zippy.

CONSTRAINTS

1. The hiring process is drawn out. This is partly due to the different physical locations of departments across the City.
2. The City must rely on courier service to send and receive documents.
3. Multiple databases are currently used for applicant tracking, including Police and Fire recruitment:
 - HR-1 Access database is used for tracking job requisitions.
 - The “Zippy” database is the central applicant tracking system for all departments, except for Police. It stores very limited information about the applicant. Internet applicants interface to this database.
 - The Sigma database is used for the Police Department. It provides more detail on applicants and is shared within the Police Department.
 - Firefighter scores are stored in a separate database which contains extensive applicant information and is linked to “Zippy” for address and contact information only.
 - On-base is a document storage system that is used for scanning paper applications and other documentation.
 - Another separate Access database is used to track medical testing, drug testing or background checks during pre-employment screening. This database will indicate who went for testing, when they were tested, and the results of the test.
5. Job requisitions do not interface with Applicant Tracking systems.
6. The City does not have a centralized database for all applicants.
7. Multiple manual paper forms are used during the hiring process (e.g., Referral Packets, Disposition Forms, Instructions for Hiring, How to Code Applicants, etc.).

PROCESS IMPROVEMENTS

Under a new integrated system, the City should streamline the hiring process and develop a uniform policy to be used throughout the entire organization.

The City should utilize workflow tools for routing, tracking and approving documents.

The City should consolidate the different Applicant Tracking systems that are currently being used (HR-1 Access database, Zippy, Sigma database, Firefighter database, On-base, Medical Testing Database, etc.).

The City should build some consistency into the naming convention for applicant tracking. To the extent possible, this consistency should apply to not only applicant tracking, but also Payroll and Position Control.

Under the new system, the integration between Position Control maintenance, Job Requisitions, and Applicant Tracking should eliminate the need for multiple databases. Standardization of data and some processes will also improve consistency and accuracy in reporting.

NEEDS/REQUIREMENTS

1. The system should provide applicant tracking functionalities, including:
 - Online application completion for prospective employees.
 - Ability for applicants to establish and maintain multiple electronic job applications.
 - Applicants should be able to upload additional documents, via the web, at the time they are filling out the application.
 - Ability for applicants to log into their online application (at a later date) to make changes to their information.
 - A self-service module so applicants can view the status of their application(s).
2. Ability to sort applicants by:
 - Last Name
 - Social Security Number
 - Job Classification Name
 - Position Control Number
4. Ability to track all applicant history under one master record.
5. Ability to provide functionality for hiring managers, including:
 - Ability to submit job requisitions that are electronically routed through the appropriate approval channels (Budget, HR, Payroll, etc.).
 - Ability to perform online searches for applicants, view the applications, and scanned documents.
6. Ability to provide functionality for the HR Department, including:
 - Create multiple tailored application forms and select which application (Fire, Police, Union, Non-Union, Management, Administrative, etc.) or materials (resume, cover letter, transcripts, etc.) are required for a specific position.
 - Ability to link applicants to multiple open requisitions.

- Ability to easily change an applicant to an employee and transfer all information and scanned documents into the employee records.
 - Ability to prevent hiring managers from having to view applications that do not have all the required documentation and information.
7. Ability to use workflow tools to automate approvals and design the workflow model based on different rules for different types of positions.
 8. Ability to generate applicant response and status letters.
 9. Ability to capture and track unlimited employment test results per applicant.
 10. Ability to capture educational background.
 11. Ability to maintain an on-line skills and proficiency level inventory.
 12. Ability to maintain applicant certifications and licenses and track expiration or renewal cycles.
 13. Ability to capture and track prior employment history.
 14. Ability to integrate with HR, Benefits, Budget and the Payroll System.
 15. Ability to create competencies by position.
 16. Ability to allow the applicant to attach Word, RTF, or PDF resumes to the candidate's file.
 17. Ability to automate acknowledgement via e-mail.
 18. Ability to generate and post job announcements to the web and disseminate information automatically to job announcement networks.
 19. Ability to maintain and utilize only one Applicant Tracking database across the entire organization. If there are multiple databases, the ability to establish adequate interfaces.
 20. Ability to ensure the adequate security of all confidential City information and systems.
 21. Ability to allow departments to schedule applicant interviews on-line.

Individuals who attended the needs assessment session:

- Kathleen Walker – HR
- John Sutton – IT

- Modena Jardina – HR
- Ellen Hughes – HR
- Curt Dawson - HR
- Odistene Fuller – Police
- Allison Walton – Police
- Gloria Smith – HR
- Lisa Cruse – IT
- Antar Baaree – Fire
- Teresa Wallace – Fleet Services
- Terica Richardson – Parks & Recreation
- Stacey Witherell – HR

M. LEAVE MANAGEMENT

NEEDS ASSESSMENT / REQUIREMENTS DEFINITION			
Client:	Little Rock	Functional Area:	Leave Management
Prepared by:	Brenda Haskell	Last Update:	August 22, 2005
Person(s) Interviewed:	See Last Page	Date of Interview:	July 13, 2005
<p>CURRENT PROCESS</p> <p>The City provides paid leave time to allow employees to be absent from work for various purposes without loss of pay. When employees are required to submit a doctor's statement to justify an absence, the statement must indicate the length of the disability, date(s) of treatment, anticipated return, and any work limitations.</p> <p>Leave is considered an exception and is entered into the system by using different pay codes (which indicate the type of leave). The codes are set up to track and automatically deduct from the different leave accrual buckets. The system allows users with the proper security in HR to enter leave hours that could create a negative balance in an employee's leave balance. The City also has several absence codes that are set up with different pay statuses. At the end of the year, the system automatically calculates roll over of leave based on user-defined rules.</p> <p>If an employee has exceeded the maximum accrued balance of sick, Short Term Disability (STD), vacation or Paid Time Off (PTO) hours at the end of the year, these hours are removed from the employee's balance in order to bring it back to the maximum balance. This is done through a batch report that creates an end of the year deduction entry into the employee's leave record. Leave records are maintained in two places; 1) time entry screen, and 2) the check detail table. The system calculates leave balances from these areas and can present balances on screen or in reports.</p> <p>Reports Generated by the Current System</p> <p>Most of the following leave reports are created by extracting data from the DB2 tables. Users have access to select data fields from the temporary DB2 tables and download leave balances into Excel.</p> <ul style="list-style-type: none"> • Authorized Leave Usage • Funeral Usage by Union • Leave Accrual by Agency/Department • Leave Balance by Fund/Agency/Department • Leave Balance/Max by Agency • Leave Balance/Usage by Union • Leave Balance/Usage by Agency/Department 			

- Leave Liability
- Leave Liability by as of Date
- Leave Usage by Date Range
- Leave Usage by Employee/Department
- Sick Leave Balance
- Sick/AI Usage by Agency/Department
- Sick/Usage by Department/Union
- Sick/AI by Union

A report is generated during the payroll run that determines if an employee has reached the end of their probation period as of the end of the pay period. If an employee has reached the end of their probation period, then the leave accrual due at the end of the probation is added to the employee's leave balance. This report posts all leave accruals owed to each employee during each pay period.

The current Leave Management process only interfaces with the Payroll System.

Charging Leave Time

Employees using accrued leave time are charged 1 hour for each hour of absence during their scheduled work shift. Unless otherwise specified, the terms "day" or "shift" shall mean an 8-hour work period. Each department is responsible for establishing their own protocol for requesting leave time (forms, logs, time requirements).

Employees will be charged leave for the amount of time they are regularly scheduled to work on the day they are absent. For example, employees regularly scheduled to work 8-hour shifts will be charged 8 hours leave for each day of absence.

Employees in fire suppression positions are scheduled to work 24-hour shifts (24 hours on-duty; 48 hours off-duty). 24 hours of leave will be charged for each day (tour of duty) of absence for these employees.

Advanced Leave

Department Directors may advance any combination of up to 40 hours of leave for vacation, sick, PTO, or STD to regular or probationary employees. Department Directors may advance vacation, sick leave, or paid time off, even if an employee has accumulated leave of another type available. The Department Director must forward a memo to the HR Department approving the advanced leave and indicating the actual dates and type(s) of leave to be advanced. Any modifications as a result of the advance leave must be entered by the HR Systems Specialist. If advanced leave is outstanding at termination of employment, a dollar amount equal to the advanced leave (hours outstanding multiplied by employee's hourly rate) shall be deducted from the employee's final pay.

Employees Moving Between Uniform and Non-Uniform Classifications

When an employee moves from a uniform classification to a non-uniform classification or vice versa, vacation leave and paid time off balances will be paid out as though the employee had terminated employment. Accumulated vacation leave time will be paid at the

employee's hourly rate on the date before the transfer. The employee will then begin accruing leave at the applicable rate for the new classification.

Sick leave and STD may be carried over to the new position and used according to City policy and/or department rules and regulations. Employees transferring under these circumstances will not accrue additional leave time until completion of the probationary period designated for the new classification. The date of the transfer will become the employee's leave progression date for purposes of future leave accruals, including discretionary/personal leave.

Employees Moving To or From Non-Uniform Non-Union Classifications

Employees moving to a non-uniform union eligible position will have their paid time off leave converted to vacation days and their STD leave converted to sick leave. Discretionary days will be posted according to policy in the same manner the days are posted according to the date of hire.

Accrual rates specified as days refer to 8-hour days, except where otherwise defined. Actual annual leave accrual will equal the number of days specified multiplied by 8. The proportional accrual each pay period will be the number of hours divided by 26 and expressed in hours and minutes. Leave accruals are shown in the Payroll System in hours and minutes.

I. Non-Uniformed Non-Union Eligible Employees

Non uniform, non-union regular full-time employees earn leave beginning on the first day of employment. Leave may only be used after completion of the probationary period, unless it is advanced to the employee by the Department Director (or by the City Manager if the employee is a Department Directors). Transferred or promoted employees may use approved leave during probation. The date of transfer from a uniform position to a non-uniform position will be used as the date of hire for computation purposes.

Employees below the level of Mid-Manager shall earn PTO at the following rate:

Years of Service	PTO Hours Annual Accrual	PTO Hours Per Pay Period Accrual	PTO Maximum Balance	STD Hours Annual/pay period Accrual
Up to 3 years of service	160	6:09	320	48/1.51
3 to 10 years of service	200	7:42	320	48/1.51
10 to 20 years of service	224	8:37	320	48/1.51
20 years of service and over	256	9:51	320	48/1.51

Employees at the Mid-Manager level and above shall earn PTO at the following rate:

Years of Service	PTO Hours Annual Accrual	PTO Hours Per Pay Period Accrual	PTO Maximum Balance	STD Hours Annual/pay period Accrual
Up to 3 years of service	184	7:09	320	72/2.51
3 to 10 years of service	224	8:42	320	72/2.51
10 to 20 years of service	248	9:37	320	72/2.51
20 years of service and over	280	10:51	320	72/2.51
Department Directors	To be determined by the City Manager		400	72/2.51

Proportional accruals are available after each pay period. Reduction of time accrued beyond the maximum allowance shall be computed on December 31 and will be deposited in the STD account.

Short-term Disability (STD):

Each employee will accrue the equivalent of 48 hours per year in the STD account or a proportional amount based on hire date. Managers and above accrue 72 hours. The maximum balance of the STD account is 1,000 hours, except for those employees in the Defined Benefit Plan and those employees hired before January 1, 1981, who have no maximum limit.

Before an employee can charge leave against STD, a form must be submitted to his/her Department Director with acceptable documentation. If the Department Director approves the STD leave, the request form will be forwarded to the Department timekeeper for entry.

Payment of Leave Upon Termination of Employment:

Cash payment to an employee in lieu of unused PTO leave is not permitted, except upon termination of employment. Upon termination, employees will receive payment for the PTO leave account balance.

After 5 years of service, an employee will receive 2.0% of the STD account per year of service (full years based on the employee's date of hire), starting from the first year of employment (of the most recent date of hire). Employees hired before January 1, 1981, who have no maximum accrual on their STD account, will receive 2.0% per year of service based on a maximum of 1,000 hours.

Participants in the Defined Benefit plan will have the option of receiving payment (based on 2.0% per year of service) for up to 1,000 hours of their STD account and/or converting hours in the STD account to additional service credit at the rate of one

month for each 300 hours of STD. (Years of service x 2% x accrued time up to 1,000 hours x hourly rate = payout).

II. Non-Uniform Union Eligible Employees

Vacation Leave:

Regular full-time employees earn vacation leave from the first day of employment, although it may not be used until after completion of the probationary period unless it is advanced to the employee by the Department Director (or the City Manager if the employee is a Department Directors). Transferred or promoted employees may use approved leave during probation in the new position as long as they have completed a probationary period with their previous position.

Proportional accruals are available after each pay period.

Vacation accruals are prorated based on actual hours worked. Employees shall earn vacation leave at the following rate:

Years of Service	Days Per Year
Up to 3 years of service	10
3 to 10 years of service	15
10 to 20 years of service	18
20 years of service and over	22

Vacation may be accumulated; however, a maximum of 30 days (240 hours) for regular full-time employees and 15 days (120 hours) for regular part-time employees may be carried over to the next calendar year (except when an employee is unable to take vacation because of departmental needs). On December 31, any excess vacation leave shall be forfeited. Any approved carry-over of excess leave shall not exceed 240 plus the current year carry-over accrual.

Employees who have completed the initial probationary period shall be paid for accrued vacation upon termination of employment. Such pay out shall not exceed 240 hours plus the current year's accrual.

A regular part-time employee hired to a full-time position may have accrued leave time carried forward.

Discretionary Days/Personal Leave (DD/PL):

These are defined as leave time which may be used at the employee's personal discretion (given the proper approval). Regular, full-time employees shall receive the following number of discretionary days during their first year of employment:

Date of Hire	Days/Hours
If hired January 1 through March 30	3 days/24 hours
If hired April 1 through June 30	2 days/16 hours
If hired July 1 through September 30	1 day/8 hours
If hired October 1 through December 31	0 days/0 hours

Employees will receive a maximum of 3 discretionary days per year beginning on the first of the year (January 1) following the date of employment. Discretionary days are not carried over to the next calendar year or compensated at termination of employment. Discretionary leave may be used until December 31. Employees who leave employment and then are rehired during the same year will not receive any additional discretionary days.

Sick Leave:

Regular full-time employees earn sick leave from the first day of employment at the rate of 12 days per year. Proportional accruals shall be available after each pay period; however, leave may only be used after completion of the probationary period, unless it is advanced to the employee by the Department Director. If unused, this sick leave shall be allowed to accumulate to a maximum of 125 days (1,000 hours) for those regular full-time employees hired on or after January 1, 1981.

Employees hired and enrolled in the Defined Benefit Retirement Plan on or before December 31, 1980, shall have no limit placed on sick leave accrual. At retirement, the accrued sick leave will be converted to additional service credit for purposes of retirement benefit calculations at the rate of one month credit for each 300 hours of accrued sick leave. This accrued time will not result in any other compensation to the employee.

Employees hired on or after January 1, 1978, are covered by provisions of the Defined Contribution Pension Plan. This plan does not provide a sick leave conversion formula. However, employees hired after that date, but on or before December 31, 1980 shall have no limits placed on their sick leave accumulation.

Sick Leave Bonus Bond Program:

Regular full-time non-uniform union employees are eligible to earn the following bonus in the form of U.S. Savings Bonds for non-usage of sick leave:

- A \$50 bond for no usage of sick leave during the period beginning with the first full pay period beginning on or after January 1st through the full pay period ending on or after June 30th.
- A \$50 bond for no usage of sick leave during the period beginning with the first full pay period beginning on or after July 1st through the full pay period ending on or after December 31st.

- A \$75 savings bond and 1 day off with pay for no sick leave usage during both periods listed above. This is in addition to the two \$50 savings bonds. Such bonus day must be used during the calendar year in which it is awarded.

Employees must have attained regular status at the beginning of the 6 month period to be eligible to receive a bond for that period.

Twice a year, a report is generated from the New In-House Payroll/Personnel System (NIPS) to determine which union code 10 employees (the American Federation of State, County and Municipal Employees - AFSCME) have not used any sick leave or authorized injury leave. The report data is then run through RocketShuttle and converted to an Excel spreadsheet. The Senior HR Analyst sends a copy of the spreadsheet to each department's Director and timekeeper, allowing them to verify eligibility for bonds of the employees on the list. The lists are returned to the Analyst with adjustments, such as an adjustment to an employee's records who should have been charged vacation leave but was charged sick leave instead. After the lists are verified by the departments and changes made to the spreadsheet, HR uses the data to process a bond order using software provided by the Federal Reserve. Bonds are then distributed to the individuals. Payroll is also notified so the tax withholding for the employees are properly calculated.

Funeral Leave:

Regular full-time employees who have completed the initial post-hire probationary period shall receive up to 3 days (4 days for an out-of-state funeral) with pay for a death in their immediate family.

Other Leaves for Regular Employees:

- Jury Duty – Compensated at employee's regular rate of pay.
- Civil Leave – Compensated at employee's regular rate of pay.
- General Emergency Leave – Compensation with pay may be authorized for all or part of a day.
- Military Leave – A regular employee who is a member of the Armed Forces Reserve or National Guard shall be granted a paid Leave of Absence up to 15 work days, plus necessary travel time in any one calendar year for annual training and duties performed in an official duty status. After an employee has exhausted his/her allotted 15 work days in a calendar year, he/she shall be allowed to take leave without pay for the remainder of that calendar year (with proper approval). An employee may use accrued vacation, comp time or DD/PL to remain in pay status for a short-term (not more than 30 calendar days) after exhausting the fifteen (15) work day allotment within the same calendar year. The department will be responsible for completing the necessary forms to place the employee on military leave. Once the employee returns to work, the department is also responsible for completing a form to remove the employee from military leave.

Emergency Leave Not Exceeding 30 days - Any regular full-time employee who is called to duty in an emergency situation shall be granted a paid leave of absence up to 30 work days. For Firefighters, such leave of absence is limited to 240 hours.

Military leave for periods exceeding 30 consecutive work days shall be treated as a Veterans' Reinstatement.

- Meet and Confer Sessions – Meetings between the AFSCME, Fraternal Order of Police (FOP) Or International Association of Fire Fighters (IAFF) and the City will be conducted during normal work hours without loss of pay to the employee.
- Maternity Leave – Granted on the same basis as leave for any other medical condition.
- Leave of Absence – Employees may be granted leave without pay for up to 6 months with the option of another 6 month renewal. Employees shall continue to accrue seniority while on leave of absence; however, they shall not accrue vacation/PTO and sick leave/STD. The pay progression date will be adjusted for those employees who receive step increases by the length of time the employee is on the leave of absence.
- Family and Medical Leave – Eligible employees shall be entitled to a total of 12 work weeks of leave during a 12-month period. The 12-month period for FMLA leave shall begin on the first day an employee uses any FMLA leave and shall run for 12 months from that date. FMLA is not cumulative, and unused FMLA cannot be carried over to a future 12-month period. The City may require the employee to use accrued leave or other available paid leave first, followed by the 12 weeks of unpaid leave. The 12 weeks will begin at the exhaustion of the employee's accrued PTO/vacation, or at the request of the employee in the case of the employee specifically requesting not to exhaust his leave time, or the usage of authorized or unauthorized leave without pay. Paid sick leave/STD will be limited to the amounts specified in the appropriate portion of this section. Catastrophic leave, if received, will be counted toward the total 12 week of FMLA.

If both spouses work for the City, the aggregate total of allowable leave is 12 weeks in a 12-month period. Normally, the 12 weeks may not be taken intermittently, without the approval of the employee's Department Director.

Employees shall be required to submit documentation from a health care provider certifying the need for family medical leave. Once the documentation is received, the department is to complete all the necessary forms placing the employee on family medical leave. When the employee returns to work, it is necessary for the department to complete the necessary form terminating the family medical leave.

Employees requesting FMLA on an intermittent basis or reduced work schedule

must propose a schedule of their anticipated work hours. Only the time actually taken as FMLA may be charged against the employee's 12-week FMLA entitlement when leave is taken intermittently or on a reduced work schedule. Seniority and benefits will not continue to accrue during the unpaid portion of the FMLA.

- **Compensatory (comp) Time** – Employees who work any time in excess of 40 hours in a work week will turn in a time slip for the additional hours. If an employee is eligible for comp time, the accrued hours worked are entered into the time entry screen by the timekeeper who needs to determine whether it is straight time or time and a half. When payroll is processed, the timesheet program validates comp time entered. If time and a half is entered and it is determined that the employee took leave that reduced the employee's work hours, then the time and a half comp time is converted to straight time comp time. Comp time is paid and processed like any other leave code and reduces the comp time leave balance. Like all other leave balances, comp time is calculated whenever it is needed to be used or displayed. It is not a stored value.
- **Catastrophic Leave Bank** – Full-time union employees with a minimum of one year of service and a minimum accrual of 100 hours may participate in the Catastrophic Leave Bank if they contribute a minimum of 8 hours of vacation and sick leave combined in the bank. All authorized contributions will be deducted from the employee's accrual; however, the maximum accumulation for the bank will be 10,000 hours. Employees will not be allowed to join if unpaid leave was utilized to achieve the minimum balance of leave.

Enrollment will be conducted twice each calendar year (January and July) for union-eligible employees. After enrollment, an annual 8-hour contribution will be automatically deducted from accrued leave during each January enrollment cycle. Participation will continue until the participating employee requests termination of participation in writing. Enrollment and Catastrophic Leave Request forms are in the HR Department.

Prior to the beginning of the year, the City runs a report that sets all employee catastrophic contributions to the minimum hours for the employee's corresponding union code. Catastrophic contribution codes are added to the employee records if they are new donors, likewise, expiration dates are set if employees no longer wish to contribute. The codes are deducted from an employee's leave balance annually starting with the first pay period of the year. There are catastrophic contribution codes for sick, STD, vacation, and PTO. When an employee uses catastrophic leave, a code is entered into the time entry screen by HR, with the number of hours to be paid. For control purposes, the employee must exhaust all other leave before he/she is allowed to use catastrophic leave.

Currently, if Catastrophic Leave is granted, it is entered by HR as a leave code in daily time entry. For leave granted after payroll is processed, a retroactive payment is entered. This is being entered as a lump sum paycode, which is not

easily tracked since leave hours are entered with a lump sum payment.

- Holidays – Employees in regular full-time (RFTP and RCSP) and limited service (LSPF) positions shall receive the following holidays with pay:

- ✓ New Year's Day
- ✓ Martin Luther King's Birthday
- ✓ President's Day
- ✓ Memorial Day
- ✓ Independence Day
- ✓ Labor Day
- ✓ Thanksgiving Day
- ✓ Christmas Day

Employees who are in pay status for at least 5 hours of the scheduled work shift immediately preceding a holiday and at least 5 hours of the scheduled work shift immediately following a holiday shall receive pay for that holiday.

If one of the listed holidays occurs within the employee's vacation or scheduled days off, the employee shall be entitled to an additional day off with pay for each holiday, or pay for that holiday, at the discretion of the Department Director.

- Administrative Leave – Paid at the employee's current rate of pay and will not be considered time worked for FLSA purposes.

III. Leave for Regular Part-time Employees

Regular part-time employees who worked a minimum of 1,500 hours in the preceding calendar year shall receive 6 days of sick leave in the current year. If unused, this sick leave shall be allowed to accumulate to a maximum of 15 days (120 hours). Regular full-time non-probationary employees who transfer to regular part-time positions will receive credit for the previous year's service for purposes of sick leave accrual and may carry over accrued sick leave accrual up to a maximum noted above.

Regular part-time employees who were in pay status (vacation, sick leave, or actual hours worked) for at least 1,500 hours during the year shall receive the following vacation leave:

Years of Service	Days Per Year
Up to 10 years of service	5 (40 hours)
10 years or more	7.5 (60 hours)

Each department must verify the eligibility of employees to the HR Department. All leave amounts will then be posted to each employee's record no later than the following pay period.

Holiday Pay

Employees in Regular Part Time Position (RPTP), Limited Service Position Part Time (LSPP), Temporary Authorized Position Full Time (TAPF), Temporary Authorized Position Part Time (TAPP), Temporary Emergency Position Full Time (TEPF), and Temporary Emergency Position Part Time (TEPP) positions will receive holiday pay if they work 32 hours during the week in which a holiday is observed and they were in pay status for at least 5 hours of the scheduled work shift immediately preceding a holiday and at least 5 hours of their scheduled work shift immediately following the holiday.

Employees who work on the actual holiday and satisfy the requirements above shall receive holiday pay for the holiday in addition to the actual number of hours worked.

IV. Uniform Police Department Employees**Vacation Leave**

Arkansas State Laws dictate vacation policies for Police Officers. Vacation may only be used after completion of 6 months of employment or upon completion of the Police Academy Recruit Class, unless it is advanced to the employee by the Department Director. Employees will only be paid for unused leave after completing 6 months of employment.

Union eligible employees will receive 15 days per year. Before vacation leave will be granted, employees will be required to exhaust all their accumulated comp time over eighty (80) hours.

Non-union eligible employees will receive 18 days per year. Proportional accruals will be available after each pay period.

Vacation may accumulate as follows:

- Union Eligible – A maximum of 30 days (240 hours) may be carried over to the next year, except when an employee is unable to take vacation because of departmental needs. If approved, a carry over of the excess leave shall be permitted. Such carry over shall not exceed 240 hours plus the current year's accrual.
- Non-Union Eligible – A maximum of 40 days (320 hours) may be carried over to the next year, except when an employee is unable to take vacation because of departmental needs. If approved, a carry over of the excess leave shall be permitted. Such carry over shall not exceed 320 hours plus the current year's accrual.

Employees who have completed their probationary period shall be paid for accrued vacation leave upon termination of employment for any reason at the hourly rate in effect on the date of termination. Such payout shall not exceed 240 hours plus the current year's accrual. A sub-union code is used to control the automatic payout.

Vacation Buy Back Program

Uniform non-union police department employees (Police Command) have the option of selling vacation hours. The employees may sell 2 hours of vacation for one hour of pay. To be eligible, the employee must submit in writing a request for payment of vacation time. The request must state that:

- The number of vacation hours the employee wishes to sell up to a maximum of 80 hours of vacation (for 40 hours of pay);
- The employee has taken or has scheduled to take at least 80 hours of vacation by December 31 of the current year;
- The employee has a balance of 160 hours of vacation after the buy back.

The Police Chief's Office will be responsible for ensuring that all criteria has been met and for forwarding a report of those wanting to participate to the HR Department. The report should include social security number, name and the total number of hours the employee wishes to sell (maximum is 80).

Discretionary Days

Union eligible employees with 5 to 15 years of continuous service shall be granted 5 Discretionary Days per year (40 hours). Employees with 15 years or more shall be granted 6 Discretionary Days per year (48 hours).

Non-union eligible employees with five (5) to fifteen (15) years of continuous service shall be granted five (5) Discretionary Days per year. Employees with 15 years or more shall be granted six (6) Discretionary Days per year (48) hours.

If an eligible employee's leave progression date is before July 1, he/she will receive Discretionary Days during the current calendar year. If an eligible employee's anniversary date is on or after July 1, he/she will receive Discretionary Days at the beginning of the next calendar year. For employees transferring to a uniform Police position from another employee group, the date of the transfer to the police uniform position will be used to calculate service credit.

Discretionary time shall not carry over to the next calendar year. Discretionary time may be used until December 31.

Sick Leave

Sick Leave may only be used after completion of 6 months of employment or upon completion of the Police Academy Recruit Class, unless it is advanced to the employee by the Department Director.

Employees shall accrue 6 hours and 12 minutes of sick leave per pay period, with a maximum allowable accumulation of 1,600 hours.

An employee shall be compensated in cash at his/her basic rate of hourly pay for any unused sick leave up to 720 hours upon retirement or death. A personnel action code for retirement is used to update a flag that the payroll system uses to automatically calculate the maximum pay out amount and delete any excess balance amount.

Family Sick Leave

Family sick leave may be used for illness or disability requiring hospitalization or emergency treatment in the employee's immediate family. Such leave shall be limited to 40 hours per calendar year and shall be deducted from the employee's accumulated sick leave.

Funeral Leave

Regular full-time employees who have completed the initial post-hire probationary period shall receive up to 3 days with pay for a death in their immediate family.

V. Uniform Fire Department Employees**Vacation Leave**

Union eligible employees will receive 3 weeks vacation leave, which equals 7 tours of duty for 56-hour employees and 15 tours of duty for 40-hour employees after one year of service. Employees who complete 15 years or more of service (on or before June 30) will receive 8 (24-hour) or 17 (8-hour) tours each year.

Non-union eligible employees will receive 4 weeks vacation leave, which equals 9 tours of duty for 56-hour employees and 20 tours of duty for 40-hour employees.

Vacation may be accumulated as follows:

- Union Eligible – A maximum of 336 hours for 56-hour employees and 240 hours for 40-hour employees may be carried over to the next calendar year, except when an employee is unable to take vacation because of department needs. If approved, a carry over of the excess leave shall be permitted. Such carry over shall not exceed 336 plus the current year's accrual.
- Non-Union Eligible – A maximum of 448 hours for 56-hour employees and 320 hours for 40-hour employees may be carried over to the next calendar year, except when an employee is unable to take vacation because of department needs. If approved, a carry over of the excess leave shall be permitted. Such carry over shall not exceed 448 plus the current year's accrual for 56-hour employees, 320 hours, plus the current year's accrual for 40-hour employees.
- Reduction of excess vacation leave shall be computed on December 31.
- Accumulated vacation leave will be adjusted by a factor of 1.4 when 56-hour employees transfer to 40-hour positions and vice versa.

- Since vacations must be scheduled by seniority, uniform Fire employees will be advanced Vacation Leave up to an amount equal to the current year's accrual (168 hours). If Advanced Leave is pending upon termination, the employee's final paycheck shall be reduced by the amount of the advance.
- Employees who have completed their probationary period shall be paid for accrued vacation leave upon termination of employment for any reason at the rate of pay in effect on the date of termination.

Discretionary Days/Personal Leave

Union eligible employees shall receive personal leave days to be used for personal business at the following rate:

- 5 – 9 years – completed on or before June 30th = 1 tour of duty.
- 10 – 14 years – completed on or before June 30th = 2 tours of duty.
- 15 – 17 years – completed on or before June 30th = 3 tours of duty.
- 18 or more years – completed on or before June 30th = 4 tours of duty.

Employees in non-union eligible positions at the time leave is posted shall receive personal leave days at the rate of 4 tours of duty per year regardless of years of service. Employees promoted during the year will not be entitled to additional personal leave days.

The transfer date will be used to calculate service credit for accrual leave purposes for those employees who are transferring to a uniform Fire position from another employee group. Personal leave days will not be carried over to the next calendar year. Personal leave may be used until December 31.

Administrative Leave

Employees may be granted leave for activities beneficial to the department as determined by the Fire Chief.

Sick Leave

Employees shall receive sick leave at the following rate:

Years of Service	Days Per Year
56-hour employees: Up to 4 years	15 days (tours) per year
4 years and over	12 days (tours) per year
40-hour employees: Up to 4 years	15 days (tours) per year
4 years and over	12 days (tours) per year

A proportional accrual shall be available after each pay period. Unused sick leave may be accumulated up to a maximum of 100 days or 2,400 hours.

Employees shall be compensated in cash for accrued sick leave at their employment termination due to retirement or death if they have completed 20 years of service. Payment for sick leave shall not exceed 3 months of salary. The amount of payment for unused sick leave is to be calculated at the employee's rate of pay in effect on the pay day immediately preceding the employee's retirement or death.

Employees who have completed 10 through 19 years of service will be eligible to receive a prorated payment if they have accrued a minimum of 60 days (1,440 hours) at least 6 months prior to the onset of any illness leading to retirement or death. Employees with 10 years of service shall receive 50% of $\frac{1}{2}$ of their remaining accrued sick leave, not to exceed 30 days. Each additional year of service thereafter shall increase the rate by 5%. Accumulated sick leave will be adjusted by a factor of 3 when 56-hour employees transfer to 40-hour positions and vice versa.

Family Sick Leave

Family sick leave may be used for illness or disability requiring hospitalization emergency treatment, and non-routine medical or dental appointments in the employee's immediate family. Such leave shall be limited to 4 tours of duty or 96 hours of duty in a calendar year for 56-hour employees. For 40-hour employees, leave for family illness or disability family sick leave shall not exceed 72 hours of duty in a calendar year.

Funeral Leave

For 56-hour employees, such leave shall not exceed 2 tours of duty. For 40-hour employees, it shall not exceed 4 tours of duty.

Leave Usage Upon Separation From City Employment

Accrued leave may not be used for the last scheduled day of City employment except for retirement and cases of a documented disability. Employees retiring with a minimum of 5 years of service with the City may remain in pay status until accrued vacation leave is exhausted. For employees hired on or after January 1, 1999, this status shall not exceed 30 working days (14 tours of duty for 56-hour uniform Fire employees) of accrued vacation leave; no additional leave will accrue during the time such leave is being exhausted. Any vacation in excess of 240 hours (336 for 56-hour uniform Fire employees) shall be paid as a lump sum upon final separation from City employment. No other leave types may be used for this purpose unless otherwise approved by the City Manager.

Employees on Suspension

Occasionally, disciplinary action is required to remove an employee from his/her position, and the employee receives no compensation at such time. After serving five (5) days of suspension, a non-uniformed employee, may, with the approval of

the Department Director, select the following substitute action:

- From the sixth (6th) day on, an employee may forfeit any accrued vacation/PTO or discretionary leave on a day to day basis.
- Forfeiture of leave may not exceed ten (10) days of vacation plus three (3) Discretionary Days or thirteen (13) of PTO in a calendar year.

CONSTRAINTS

1. Currently, each department is responsible for establishing their own protocol (forms, logs, time limits, etc.) for requesting leave time.
2. The current system lacks flexible and robust reporting capabilities. Most of the reports are processed from DB2 or downloaded to Excel.
3. Currently, each department must verify the eligibility of employees for sick leave bonds to the HR Department.
4. Since the system does not currently provide an edit report that can be run prior to payroll processing, it is possible for duplicate leave entries to occur, thus deducting from the employee's leave bucket twice.
5. The current process of tracking the Sick Leave Bonus Bond Program is very manual (i.e.: requiring a report to be prepared in Excel and for departments to notify HR of any adjustments).
6. The Zoo operates 7 days a week. When employees work on a holiday, they are paid holiday time, which is based on time and one half of normal pay. If the holiday falls on the employees' normal day off, the City will grant the 8 hours to use at a later time. The employees will only receive their normal 40 hours of pay, even though the City still owes them a holiday. The timekeeper at the Zoo has to manually track holidays not yet used for each full time employee, as the Payroll System does not track unused holidays until they are used.

PROCESS IMPROVEMENTS

The City needs to determine if a uniform set of protocols should be established for the entire organization for requesting leave time. Currently, each department is responsible for coming up with their own procedures for forms, logs, time limits, etc.

The City should implement workflow tools to handle the leave approval process and to move paper documents across the system (i.e.: doctor's note, Department Director's approval for advanced leave, documentation from health care provider to certify need for a family leave, etc.)

The City should take an inventory of all existing leave reports and to ensure these reports are needed, and if so, replaced in the new system either through standard reports or customized reports.

The City should ensure that verification of the eligibility of employees for sick leave bonds is done in the new Payroll System instead of being tracked by individual departments.

The City needs to automate its Sick Leave Bonus Bond Program instead of relying on Excel spreadsheets and the individual departments to notify HR of any adjustments.

Currently, if an employee has time off during a holiday (for those operations that open 7 days a week and the employee's normal week is not necessarily from Monday to Friday), he/she is not paid for the holiday until later. The number of hours worked for the week still reflects 40 normal hours. The owed holiday has to be manually tracked for each full time employee because the current system does not maintain unused holiday hours. The City should either make a policy change, whereby the employee who had time off during a holiday should get paid immediately (possibly post it as a bonus day), or the City needs to ensure that the new system can track this situation.

Currently, only the Department Directors have the authority to advance leave for vacation, sick, PTO, or STD to regular or probationary employees. The City should consider using workflow in the new system to allow the Department Director to notify HR of his approval for the advance rather than relying on a written manual memo. The amount of the approved leave can then be deducted from the employee's leave bank.

NEEDS/REQUIREMENTS

1. The new system should have the ability to track advanced leave.
2. The system should accurately maintain leave information for employees moving between uniform and non-uniform classifications and vice versa.
3. The system should track absences by date for all types of employees who earn and use leave.
4. The system must be able to handle multiple types of leave.
5. The system should automatically enter dates in a range for vacation or leave. For example, the user would enter a start date and an end date and the system would fill in the days in between provided the absence code is the same and the days are consecutive.
6. The system should allow certain corrections, such as accruals, time entry, etc., to the history of leave taken and not just corrections to the balance.
7. The system should provide audit trails for all corrections.
8. The system should provide a warning flag when absence hours are greater than the normal work hours for a specific work day.
9. The system must have the ability to process used leave; roll the remaining leave balance to the brought forward bucket; clear out the balance bucket; and accrue as appropriate.

10. The system must have the ability to track days and number of hours on FMLA leave (time off that is regularly scheduled work time), whether it is taken intermittently or continuously or taken in conjunction with another type of leave.
11. The system must have a method of finding duplicate leave entries before they go through the system and deduct from an employee's leave balances. An edit report could fulfill this requirement.
12. The system must allow customization for leave usage rules in the system to accommodate uniform, non-uniform, union, non-union, full time and part time employees.
13. The system must provide a field which indicates an employee's leave status for reporting purposes. At a minimum, the system must have the ability to enter and save history for multiple leaves taken by an employee such as type of leave, leave start date, leave ending date, estimated return to work date and date paperwork received in HR.
14. The system must have the ability to accrue sick leave based on City-defined criteria.
15. The system must provide a way to track membership in the Catastrophic Leave Bank, as well as the donation of catastrophic hours required to join. The system should be able to flag an employee as 'accepted' into the bank or 'denied' entry into the bank.
16. The system must provide workflow for approval purposes.
17. The system must be able to accrue the earning of sick leave bonuses. When a U.S. Savings Bond is earned, it must trigger a payment to the employee.
18. The system must be able to accommodate vacation buy back and sell programs.
19. The system must be able to track leave with and without pay.
20. The system should have the ability to track FMLA employee compliance justification.
21. The system must provide a robust report writer allowing users to select based on any data field. At a minimum, the current reports must be made available in the new system.
22. The system must be able to integrate the time and attendance system to the payroll processing function.
23. The system should have the ability to move an employee automatically to a new accrual rate due to anniversary date or policy change.
24. The system should provide on-line inquiry of available leave by type for each employee.

25. The system should have the ability to report negative leave balances.
26. The new system should provide the capability to offset any comp time entered if employee does not work a full 40-hour work week.
27. The system should have the ability to calculate compensation in cash for accrued sick leave based on user-defined rules.
28. The system should have the ability to calculate annual leave accruals based on user defined formulas.
29. The system must be able to track vacation and sick leave for Police and Fire personnel assigned to the Airport. An agreement with the Airport specifies that the Airport will pay for vacation and sick leave earned while the employee is working there. The system must be able to designate a location code or a separate absence code so a balance report can be generated for each employee as of the date the employee was assigned to the Airport. This report should also include leave accruals and usage throughout the Airport assignment. This information may be used in the monthly billing to the Airport (especially when an employee assigned to the Airport retires and has a vacation/sick leave payout).
30. The system should have the ability to enter employees' upcoming absences (vacation, scheduled sick leave, comp day, PTO, etc.) and allow the supervisor to inquire who will be off in the future.

Individuals who attended the needs assessment session:

- Judy Lewis – Police
- Venita Young – Planning & Development
- Keith King – Parks & Recreation
- Gay Spencer – Police
- Beth Wood – Finance/Payroll
- Terica Richardson – Parks & Recreation
- Gloria Smith – HR
- Curt Dawson - HR
- Teresa Wallace – Fleet Services
- Ramona Hatley – Fire
- Jim Williams – Fire
- Sara Lenehen – Finance
- Rhonda Crabb – HR
- Pat Williams - Impound

N. PERSONNEL MANAGEMENT

NEEDS ASSESSMENT / REQUIREMENTS DEFINITION			
Client:	Little Rock	Functional Area:	Personnel
Prepared by:	Brenda Haskell	Last Update:	August 21, 2005
Person(s) Interviewed:	See Last Page	Date of Interview:	July 13, 2005
<p>CURRENT PROCESS</p> <p>Pre-Employment/Status Change</p> <p>Pre-employment medical exams and background checks are required for certain positions. After pre-employment screening, the hiring authority will notify the applicant if they have medical clearance and schedule the date and time for the new hire to report to work.</p> <p>Hiring authorities schedule the applicant to complete the sign-up process in HR on or before the first day of employment. New employees are scheduled to attend an orientation session conducted at a later date to provide information concerning the City's benefits, policies, etc.</p> <p>All new employees must complete tax withholding, benefit enrollment and I-9 forms and provide documentation of identity and employment eligibility.</p> <p>Proof of all licenses and/or certificates must be documented before enrollment is complete and an "Authorization to Begin Work" is issued.</p> <p>Types of Appointments</p> <p>Regular Positions</p> <ul style="list-style-type: none"> Regular Full-Time and Regular Civil Service Positions – An employee who is appointed to a position is scheduled to work a minimum of 40 hours in a work week. Employee will be eligible for all benefits offered by the City. Regular Part-Time Position – An employee who is appointed to a position is scheduled to work only part of the work week and shall not exceed 35 hours on a regular basis. Employee will be offered limited benefits if the number of hours worked are 1,500 hours or more during the year. <p>Limited Service Positions</p> <ul style="list-style-type: none"> Limited Service Positions Full-Time – An employee who is appointed to a position is scheduled to work a minimum of 40 hours in a work week. Employee will be eligible for all benefits offered by the City, if funding is available. 			

- Limited Service Positions Part-Time – An employee who is appointed to a position is scheduled to work only a part of the work week and shall not exceed 35 hours on a regular basis. Employee will be offered limited benefits if the number of hours worked are 1,500 hours or more during the year, if funding is available.

Temporary Authorized Position

- Temporary Authorized Position Full-Time or Part-Time - An employee who is appointed to a position is scheduled to work full-time or part-time for a designated length of time and not to exceed 240 days in a calendar year. Employee will not be eligible for benefits.

Temporary Emergency Position

- Temporary Emergency Position Full-Time or Part-Time – An employee who is appointed to a position is scheduled to work full-time or part-time for the duration of an emergency and is not to exceed a budget year. Employee will not be eligible for benefits.

NIPS (New In-house Payroll/Personnel System)

NIPS is the in-house developed system that was implemented in 1995. It was written using Cobol and DB2 provides on-line processing. The system produces transactions that are loaded into the Financial System.

NIPS has four menu options:

- Inquiry Only Menu – Gives basic information about an employee. Inquiries are divided between active and terminated. Detailed information about an employee is controlled by security levels.
- Employee Update Menu – Specific information is located on this menu. Most users will only have inquiry capabilities on this form. Update capabilities are controlled by security levels.
- Report Scheduler – Contains reports and time sheets. These reports will include leave and position reports.
- General Update Menu – This menu provides Daily Time Entry. All shift updates are located on this menu.

The users can only see menu options if they have rights to an option in that menu. Below is a list of the other menu options available depending on security:

- Base Tables MENU - This is where all the payroll table definitions are maintained.

- AMS Related Tables Menu - This is where all the AMS table definitions are. They are user maintained.
- Security Related Tables Menu - This represents is user security and menu security and is maintained by the IT Department.
- OMS Only Menu - IT only menu. It contains menu descriptions, jurisdiction definitions, and remote printer definitions.
- Budget Model Menu - Budget related code table definitions. This menu is maintained by the Budget Director.
- Flex Benefits Menu – This function has been outsourced to a vendor.
- Classification Tracking Menu - Title Classification and License/Certification code tables. Maintained by the Classification Compensation Manager.

An Authorization to Hire form is used to enter new hire information into the NIPS system that includes the following:

- Full name
- Social security number
- Hire date
- Longevity date
- Leave progression date
- Pay progression date
- Birth date
- Salary
- Fund/Agency/Department
- Workers comp code
- Status
- Union/sub-union and union membership
- Position
- Title
- Grade
- Pay location
- Race
- Gender
- Address and phone number

The employee number is a system generated 5 digit number.

Employee documentation is verified and then scanned into the On-Base document storage system and then shredded. On-Base stores personnel files. A copy of the employees' photo ID is attached to the I-9 form and filed. Tax forms are sent directly to payroll for data entry.

A comments/special notes area is used for entering special instructions or reminders.

Various personnel action codes and effective dates are used to maintain and track employee information:

- HIRE – New hires.
- RHIRE – Rehires.
- REINT – Used to reinstate an employee and restore previous rate of pay and benefits.
- PROM – All departments will submit a Status Change/Personnel Request form with effective date of when promotion takes place with new position number, department, and change in rate of pay. Uniform goes by the Progression Date and the effective date will drive what rate of pay the employee should receive due to promotion or demotion.
- PROMP – Promotions for part-time employees.
- DEMOD – Disciplinary demotions due to performance or failure for random drug/alcohol testing.
- DEMOP – Employees in part-time position moving to a lesser paid position.
- DEMOT – Employee moving from one department to another to a lesser paid position.
- DEMOV – Employee moving from a previously promoted position to a lesser paid position.
- XFER – Normal transfers changing effective date, department, any change to rate of pay and/or position.
- PXFER – Transfers for part-time employees.
- XFRUN – Non-uniform to uniform transfers. All information will change (department, position, rate of pay, progression date, effective date, leave progression date). Longevity date will remain the same.
- XFRNU – Uniform to non-uniform – Same process as above, except that the leave progression date changes.
- RETIR – Used for employees who are retiring. Action code drives pay out for eligible employees according to leave progression date. Non-uniform will pay 2% sick leave based on number of years of service and 100% vacation including part-time employees if they have hours accrued. Uniform will pay 100% vacation and sick up to a maximum number of hours.
- TERMR – Employees who are voluntarily resigning. Effective date and term date are entered and must be the same date.
- TERMP – Employees who were on probation being terminated. Effective date and term date are entered and must be the same date.
- TERME – Employees classified as an Engineer who did not acquire the appropriate licenses.
- TERMD – Used to terminate deceased employees. Effective date and term date or date of death are entered and must be the same date.
- TERMA – Employees terminated due to disciplinary actions.
- DISAB – Employees terminated who were previously on disability past the 6 months.
- RIF – Employees terminated due to a reduction in force.
- SUSNP – Employees suspended with no pay. Effective date entered is the start date of suspension.

- EOS – Used immediately after entering SUSNP for end of suspension. Effective date used must be one day later than actual end of suspension date.
- LOA – Employees out on a Leave of Absence.
- LOAML – Employees out on a Military Leave of Absence.
- FMLA – Employees out on a Family Medical Leave of Absence. Effective date and FMLA date are entered and must be the same date.
- CHNG – Paperwork from Health and Safety are sent to Employee Records who then enters the Authorized Injury Date and Effective Date which must be the same date. This allows timekeepers to enter a code (25) so that the system can pay the employee. When the employee returns, then the effective date of return is entered and the Authorized Injury Date is removed.

Salary Changes

- Annual salary increases – Salary increases are subject to negotiation for union, non-uniform employees. The HR - Classification Division runs a program to update employees' rate of pay, based on certain criteria the employee must meet to receive the increase. Increases may be percentages, a flat dollar amount, or a percentage with a flat dollar minimum level.
- Non-union increases – Salary increases have been historically merit-based and therefore take the employee's performance evaluation into consideration. In this case, paperwork for each employee must be generated, approved, and entered into the NIPS for the employee. However, for the past four years, salary increases have not been merit-based. There is a discussion to move to a merit-based system again. In the case of across the board increases, the HR-Classification Division will run a report from NIPS to update employees' rate of pay. Employee must meet certain criteria to receive the increase. Increases may be percentages, a flat dollar amount, or percentage with a flat dollar minimum level.
- Uniform, union eligible – Salary increases are subject to negotiations. Pay progression date determines when a Police and Fire employee receives increase. Change in salary is automatic. When union contracts change, the tables are updated.
- Part-time employees – The departments will submit a Status Change/Personnel Request form to change an employee's rate of pay.

APPROVALS NEEDED FOR PERSONNEL ACTIONS

ACTION	DEPT DIRECTOR	HR DIRECTOR	CITY MANAGER
Hiring:			
*New Hire	√		
*Rehire	√		
Reinstatement	√	√	√
Terminations:			

Resignation	√		
**Disciplinary Action	√	√	√
**Disability	√		
Retirement	√		
**Unsatisfactory Probation	√	√	√
Layoff/Reduction in Force	√	√	√
Death of employee	√		
End of summer program	√		
Salary Adjustments:			
Alternate rate	√	√	√
**EPAS Increase	√	√	√
*Salary adjustment NOT EPAS	√	√	√
Other Status Changes:			
Career Ladder	√		
Bumping rights	√	√	√
**Voluntary Demotion	√		
**Disciplinary Demotion	√	√	√
**Demotion by Transfer	√		
**Suspension w/o Pay	√	√	√
**Suspension –leave in lieu	√	√	√
Promotion	√		
Promotion and Transfer	√		
Transfer	√		
Reorganization	√	√	√
**60% Salary Continuation	√	√	
Reclassification	√		
Title Change Only	√		
Leave of Absence (LOA)	√		

**FMLA	√		
Return from LOA	√		
**Other	√	Each situation will be evaluated by the HR Department and approval level will be recommended to the City Manager	

*The following actions require City Manager approval before processing:

- New hire above midpoint
- Position overfill (includes all actions which result in overfill)
- Salary adjustment (not EPAS)

**Requires additional documentation be submitted by employee or department

Reports

Monthly turnover reports by department are created from the Payroll System and then the data is manually entered into an Excel spreadsheet to show the percentage of employees who have left the City by department.

A Yearly Leave Liability report is sent to the City Auditor.

CONSTRAINTS

1. NIPS system consists of one big table that contains all the records related to the employee, rather than separating the data into meaningful groupings.
2. The system has ability to log changes, but there is no true reflection of accurate historical information by employee.
3. There is no integration between “Zippy” (Applicant Tracking System), NIPS, HR, Budget or the Vacancy Tracking System (the HR-1 log).
4. There is no integration between the scanned documents and the employee records in NIPS.
5. There is no FMLA tracking.
6. Active and terminated employees are kept in separate areas. The City has two tables; a current employee table (where only current employee information is stored) and an employee log table (all employee information is stored). When an employee is terminated, he/she is removed from the current employee table and added to the log table. Therefore, the user has to go to a different screen when looking up terminated employee information.
7. The lack of an integrated system relates to too many manual paper and redundant processes across various departments
8. Attention to policies and formal procedures may vary considerably across business

units.

PROCESS IMPROVEMENTS

The City should take advantage of an integrated system to improve business processes and use workflow technology that crosses organizational business units (i.e., Applicant Tracking, Payroll, Benefits, Leave Management, and Budget). Workflow would provide the ability to track the status of transactions and notify users when data or processes require their attention.

The City should review current roles and responsibilities across business units and determine how those duties may change under a new system

The City should take an inventory of existing Personnel reports and determine which ones are necessary in order for the City to conduct business in an efficient manner. By carefully reviewing these reports and rating the importance of each, the City will be able to reduce multiple versions of a similar report from being distributed across the organization.

The City should establish a Personnel Policies and Procedures Manual to ensure, protect, and clarify the rights and responsibilities of both the City and its employees. The Manual should provide general guidance with respect to the practice and procedures which has developed pursuant to the various union agreements, rules and regulations, and statutes governing employment matters.

Each time the terms of the bargaining unit agreements change, a process needs to be established to ensure that the changes are reflected in the calculation and configuration of the new system. IT and Finance personnel should be notified immediately to effect the changes.

As part of the sign up process, the hiring department should notify HR whether a login and password need to be created for the new employee in order to get into the City's network and/or any other systems. If so, a process should be set up to coordinate with the IT Department.

NEEDS/REQUIREMENTS

1. The system must provide a relational database for employee records.
2. The system should have the ability to move applicant information to employee record.
3. The system should provide the ability to auto-assign employee numbers.
4. The new system should maintain an audit trail to track all employee changes.
5. The new system should have the ability to track promotion dates.
6. The system should have advance effective dating on the employee for the following:

- a. Salary
 - b. Positions
 - c. Job titles
 - d. Payroll deductions and amount
 - e. Personnel actions on employee changes
7. The system should provide data validation to ensure data entry accuracy.
8. The system should have the ability to track and access employee's past positions within the organization.
9. The new system should have the ability to report on historical data.
10. The system should track positions and employees by funding source(s) and pay locations.
11. The system should have the ability to track open and filled positions.
12. The system should be capable of overriding position attributes at the employee record level.
13. The system should have the ability to update incumbent information when a position changes.
14. The system should allow personnel changes to be completed and routed for electronic approval.
15. The new system should capture and access various categories of years of service information.
16. The system should capture disability accommodations that have been made for an employee.
17. The system should track probationary periods and periodic reviews (6 months and annual).
18. The system should have the ability to track employee certifications and licenses.
19. The system should have the ability to report and notify employees of expiration dates for certifications and licenses.
20. The new system should capture and track medical information separately from employee personnel files.
21. The system should capture and track investigative files separately from employee personnel files (e.g.: Internal Affairs files maintain by the Police and Fire Departments.)
22. The system should provide salary administration and wage analysis reporting.

23. The system should capture supervisory tracking.
24. The system should have the ability to create mass updates for pay and other employee related information.
25. The system should allow employees to inquire and update certain personal data.
26. The system should have the ability to track the beginning and expiration of FMLA using a rolling 12-month calendar.
27. The new system should have the ability to track FMLA hours taken and available and track compliance that interfaces with the Payroll System.
28. The system should provide security to users based on defined roles and responsibilities.
29. The system should track and report on multiple leave categories (i.e., FMLA, military leave, education and other paid and unpaid leaves, etc.).
30. The system should track termination reasons, including reasons for resigning.
31. The system should provide robust ad hoc reporting tools that easily access any employee data field in real time.
32. The system must integrate with Payroll, Benefits, Applicant Tracking, Budget and HR-1 log (Vacancy Tracking Log).
33. The system must be able to attach scanned documents/images to employee records.
34. The system should have the ability to produce mailing labels.
35. The system must be able to track and report on turnover statistics. Turnover data must include not only employees exiting the City, but also vacating a particular position to take another City job.
36. The system should have the ability to comply with current government reporting requirements.
37. The system should provide audit reports of changes to employee master file.
38. All codes should be easily identifiable to ease in report creation and recognition.
39. The new system should track break in service that may not reflect a break in service for other items such as benefits as a result of a legal settlement, reduction in disciplinary action, etc.

Individuals who attended the needs assessment session:

- Scott Massanelli – Finance/Treasury
- Terica Richardson – Parks & Recreation.
- Teresa Wallace – Fleet Services
- Darryl Syler – Fleet Services
- Jim Williams – Fire
- Jim Foster – Police
- Lisa Cruse – IT
- Stacey Witherell – HR
- Carroll Hargrove – Zoo
- Sara Lenehan – Finance

O. BENEFITS ADMINISTRATION

NEEDS ASSESSMENT / REQUIREMENTS DEFINITION			
Client:	Little Rock	Functional Area:	Benefits
Prepared by:	Brenda Haskell	Last Update:	August 13, 2005
Person(s) Interviewed:	See Last Page	Date of Interview:	July 13, 2005

CURRENT PROCESS

The City provides a variety of benefits to eligible employees, their eligible dependents, and eligible retirees. All employees are provided information regarding their benefits during orientation. Employees are responsible for completing the enrollment forms within the first 31 days of employment. Contributions are taken one month in advance, but coverage does not become effective until the first of the month following 30 days from date of hire. Employee contributions are deducted from paychecks as follows:

- Health dependent coverage – Twice per month
- Dental/Optical – Twice per month
- In months with 3 pay dates, no deductions will be taken on the first pay date
- Flexible spending accounts are taken out each pay period

Once HR - Benefits receives completed enrollment forms, benefit deductions and fringe data is entered into the NIPS system.

The Payroll Department sets up deductions for Life Insurance, AD&D, LTD, and Pension with effective date and amount of deduction to be taken from employee's pay.

HR - Benefits sets up deductions for Medical, Dental, Optical, Additional Life Insurance, AD&D, Cancer, and Flexible Spending Accounts with effective date and amount of deduction to be taken from employee's pay. Most enrollment forms are scanned into the On-base document scanner and then shredded. Original forms for medical and dental are sent to appropriate carriers. An electronic file is sent to monthly to the vision carrier.

Beneficiaries of Basic Life and AD&D are manually tracked in the Payroll System.

Police pension is tracked through LOPFI, but HR - Benefits maintains the hard copy form with beneficiary information on file. The beneficiary information on Additional Life and AD&D on hard copy are also kept on file.

Deductions for Cancer, Additional Life, and AD&D coverage are indicated on the enrollment form by the administrator and given to HR - Benefits to enter.

For home policies, the employee would call an 800 number to obtain quotes for coverage and then once enrolled, Liberty Mutual will contact the Payroll Department and provide the per pay period amount.

Below we present the Core Benefits Table and Voluntary Benefits Table.

CORE BENEFITS

Fully-Insured Plans

Plan	Eligibility	Employee Contribution/Month	Employer Contribution /Month	Coverage Effective
Medical	Regular Full-time	Single - \$0 Family - \$309.14 non-smoker Family \$360.60 smoker	Single - \$248.30 Family - \$151.46 non-smoker Family - \$100.00 smoker	1 st of month following 30 days of full-time employment
Dental	Same	Single - \$0 Family - \$21.88	Single - \$17.77 Family - \$6.00	Same
Optical	Regular Full-time Non-uniform employees; Police - Lt and above; Fire – Chiefs and Asst Chiefs	Single - \$0 Family - \$1.50	Single - \$4.50 Family - \$0	Same
Basic Life Insurance	Regular Full-time Uniform Police & Fire Non-uniform Union Eligible Non-uniform Non-union Mid Managers; Police Lt Dept Directors City Manager	\$0	100% 1x annual salary 1x annual salary 2x annual salary 3x annual salary \$500,000 Negotiated annually	FT date of hire
Basic AD&D	Regular Full-time	\$0	100% 1x annual salary	FT date of hire
Long-term Disability	Regular Full-time Non-uniform Uniform Police & Fire	\$0	100%	After new-hire probation completed (6 months) Provided through the pension systems

VOLUNTARY BENEFITS

Plan	Eligibility	Employee Contribution/Month	Employer Contribution/Month	Effective Date
Premium Only Plan (Sec 125)	Dependent medical, dental or optical coverage ^{*1}	Pre-tax	N/A	DOE or QE
Medical FSA	Regular Full-time	Up to \$192.30 per pay period	N/A	DOE, QE or January 1
Dependent Care FSA	Regular Full-time	Up to \$192.30 per pay period	N/A	DOE, QE or January 1
Cancer/ICU Insurance	Regular Full-time	Employee elects	N/A	January 1
Voluntary Life (Wrap Plan)	Regular Full-time	Employee elects	N/A	January 1
Voluntary AD&D	Regular Full-time	Employee elects	N/A	January 1
Discount Home/Auto Liability	Regular Full-time	Employee elects	N/A	January 1
Long Term Care	Regular Full-time	Employee elects	N/A	January 1
Deferred Comp (Section 457) ICMA Nationwide AG Edwards Valic	All employees	Employee elects	N/A	Upon enrollment
Catastrophic Leave Bank	Regular Full-time	1 day of sick, vacation, PTO or STD pay	N/A	January 1; July 1

*1 - Note: Dependent dental and optical coverage may not be elected unless health coverage is also elected except in the case of uniform, union-eligible Fire Department employees and Police employees who had selected dependent dental coverage prior to that group's enrollment in the City provided coverage.

Dependents

The City provides benefits to eligible dependents, including spouses, unmarried children under age 19, unmarried disabled children past age 19, and unmarried children past age 19, but less than age 25, who are enrolled as full-time students.

Any changes in dependent coverage status require completion of a change form. Status changes cannot be completed until the employee has signed the change form, except in the case of a qualified medical child support order which will require a release from the same court prior to canceling that coverage. HR is required to review the documentation of changes in dependent status (such as marriage license, birth certificate, divorce decree, etc.)

New dependents may be enrolled without proof of insurability within 31 days of becoming a dependent on an eligible employee. Once dependent coverage is elected, other new dependents may be added by notifying HR and completing a change form with the name and birth date of the new dependent. Coverage cannot be provided until the change form is completed. If the change form is not completed within 31 days, late entry requirements will apply.

Annual Enrollment Period

An enrollment period will be conducted each year to allow employees who pay a portion of the premium to make that payment as specified under POP. The enrollment period will be conducted during June to allow enrollment prior to the plan anniversary date of July 1.

Continuation of Coverage

Employees or dependents of the City, whose coverage ends due to a qualifying event, may elect to continue coverage until the earliest of:

- 18 months after termination of employment, or in the case of a dependent, 36 months after the qualifying event.
- The date the City ceases to provide a group health insurance plan for any employee.
- The date an employee or dependent fails to make the required premium payment.
- The date the employee or dependent becomes covered under any other group health plan.
- The date the employee or covered dependent becomes eligible for Medicare benefits.
- The date a widowed, divorced, or legally separated spouse remarries and becomes covered under any other group health care plan.

Employees or eligible dependents must notify HR within 30 days of the qualifying event. Within 14 days of notification, HR will inform employee or dependent of COBRA rights to continue coverage and the required premium. Each employee or dependent must elect whether to continue coverage within 60 days of receiving the notification.

Premium amounts due from the date of the qualifying event must be paid within 45 calendar days of the date of election to HR. If the premium is not paid, coverage will be cancelled retroactive to the last date for which the premium was paid.

A 3rd Party Administrator, CONEXUS, handles the invoicing and collection of payment from COBRA Participants. CONEXUS will send an e-mail to HR - Benefits with the names of employees who have elected to continue coverage. HR - Benefits will then take information from the e-mail and manually enter into an Excel spreadsheet. The spreadsheet is used to track coverage either as a COBRA Participant or as a Retiree. This information is then used to notify the appropriate benefit carriers.

Coverage While on Active Military Duty

Any City employee serving on active military duty for a period of time which requires that he be placed in leave of absence or other inactive employee status will have the option of electing COBRA for his covered dependent(s) during the leave. The employee will be provided medical care by the military.

Upon returning from active military duty, the employee and covered dependents will be provided coverage by the City immediately on the date of return to active status. The employee will be responsible for paying any required premium to reactivate the dependent coverage.

Retiree Coverage

Effective March 1997, any employee with a minimum of five years of service with the City, whose age and years of service combined total a minimum of 70, may continue health insurance coverage until becoming eligible for full Medicare coverage. Documented previous service within another municipality may be counted in calculation of age and service if all other requirements are met.

Retirees electing to extend coverage under this policy will be included as part of the active employee groups for determination of premium rates. During the initial 18 months of extended coverage, the retiree must pay the full premium rate as specified in the continuation of coverage section. After this period and until eligibility for Medicare, the City will make a contribution toward the premium of the retiree (initial contribution rate will be 50%). The retiree or dependent will be responsible for payment of all premiums for any dependent coverage elected for the entire period of continuation. Dependent coverage will only be extended to those dependents that were actively covered by the retiree on the date of retirement except that newborn children may be added during the extended coverage period.

In the event of the death of a covered retiree or when a covered retiree reaches Medicare eligibility, all City contributions will cease; however, any covered dependents will be allowed to continue the coverage until reaching Medicare eligibility, or in the case of a child, the limiting age specified in the then existing insurance program. A single dependent will pay the same premium rate as that established for a single retiree. For two or more dependents, the full family rate must be paid.

Dependents of Employees Killed in the Line of Duty

Dependents of City employees who are killed in the line of duty may extend health coverage under the same requirements as specified for continuation of coverage (COBRA). Premiums for such coverage are paid in full by the City, and coverage for dependents may extend beyond the 36 months imposed by COBRA.

If coverage is cancelled for any reason, it shall not be reinstated.

RETIREMENT PLANS

Plan	Eligibility	Employee Contribution/Month	Employer Contribution/Month	Effective Date
Non-uniform Employees Pension Plan ^{*2}	Non-uniform Regular Full-time	3.5% (Base + Longevity) Pre-tax Voluntary contribution up to 10% after-tax	4% (Base + Longevity) Not matched	After 1 year of FT employment
Mid-managers	Mid manager grade level	Nationwide 401A – 8% ICMA 401A – 10%	4% 4%	DOE
Dept Directors	Dept director grade level	Nationwide 401A – 7% ICMA 401A – 15%	9% (Lump sum 1 st of year)	DOE
City Attorney	City Attorney only	3.5%	4%	Negotiated annually
Deputy City Attorney	Deputy City Attorney only	Nationwide 401A – 7% ICMA 401A – 7%	4% 4%	DOE
Assistant City Attorney	Assistant City Attorney only	Nationwide 401A – 3.5% ICMA 401A – 3.5%	4% 4%	DOE
Uniform Police & Fire DROP Plan (Old DB pension plan)	Hired before 1/1/83	6%	6%	Contact Debbie Helvey @371-4588
Uniform Police & Fire LOPFI (state regulated) ^{*3}	Hired 1/1/83 and after	6%	8.75% (2005) varies annually per state reg	DOE
Court clerks	Court clerks only	0	12.54% (per state reg)	DOE
District Court Judges	Judges only	5%	18% (per state reg)	DOE

Pension Plans – Non-uniform Employees

Non-uniform employees shall be required to participate in the City's Pension Plan after one year of employment. Participation is mandatory except for:

- Police Cadets
- Employees working directly for the City Manager or Board of Directors, and who are enrolled in an alternate plan
- Municipal Court Judges, Clerks and Chief Clerks

Enrollment forms are completed in HR as part of the initial employee orientation process.

The 3.5% pre-tax contribution for the employee and the 4% City contribution are mandatory. For Pension Plan purposes, salary includes longevity pay, lump sum salary payments and

payoff of applicable leave time. Pension contributions are subject to Social Security Taxes.

Voluntary contributions may range from .5% to 10% of earning, in increments of .5% (e.g., 1.5%, 3.0%, 7.5%, etc.). These contributions may be made through payroll deductions or as a lump sum deposit. Any lump sum deposits made are included as part of the 10% annual salary maximum on voluntary contributions. Currently, all employees make contributions through payroll deduction. HR - Benefits receives the voluntary contribution form and forwards it to Payroll, where the deduction is set up.

Basic and City contributions may not be changed or discontinued; however, voluntary contributions may be changed every six months. Voluntary contributions may be discontinued at any time, but must wait six months before resuming voluntary contributions. Change forms must be received by HR at least 14 days in advance of the effective date of change. HR - Benefits manually keeps track of all changes in the employee files.

After five years of service, a participant is 100% vested in the City's contributions. Years of service for vesting purposes are measured in 12-month periods, beginning on an employee's date of hire, and include all periods in which a participant works the first and the last day. Participants age 55 or older are automatically 100% vested in the Plan. Vesting is manually tracked in the Payroll System from a disk sent from the Pension Plan Administrator.

If a participant is not paid for at least 501 hours during any 12-month period, credit for previous years of service may be lost, and at least one year of new service credit must be earned before re-enrolling in the Plan.

If a City employee is rehired and was formerly a participant, eligibility for participation upon rehire will be determined by the length of the break in service.

Rehired City employees who were not eligible for the plan at the time of termination must fulfill the one-year waiting period beginning with the date of rehire.

An employee can retire on the first day of any month beginning at age 55.

Pension Plans – Uniform Employees

Uniform Police and Fire employees are required to participate from the date of employment. The pension plans for uniform employees are administered by:

- City Finance Department (Uniform employees hired before 01/01/1983)
- State of Arkansas LOPFI (Uniform employees hired on or after 01/01/1983)

Uniform employees are exempt from Social Security Tax. However, those employees hired on or after January 1, 1986 are required to contribute to the Medicare portion of Social Security Tax.

Uniformed employees hired before January 1, 1983 may retire at any age. Uniformed employees hired on or after January 1, 1983 can apply for normal retirement if:

- The employee is at least age 55 and has at least 20 years of credited service; or
- The employees is at least age 60 and has at least 5 years of credited service; or
- At any age, with 28 years of credited service.

Credited service is the combination of a member's years of paid service and years of volunteer service with one or more LOPFI employers. Service may not be granted simultaneously for both paid and volunteer service with the same employer, but may be covered simultaneously as a paid employee and a volunteer employee with different employers.

Upon reaching eligibility for retirement benefits, uniform employees may elect the Deferred Retirement Option Plan (DROP). See detailed explanation below.

Defined Benefit Pension Plan – Non-Uniform Employees

Enrollment in this plan was “frozen” and no employee hired after December 31, 1977 shall be enrolled in the plan.

Employees were automatically enrolled in the plan on the January 1st immediately following two years of regular full-time employment. Employees who reached age 55 prior to the January 1st following two years of employment were allowed the option to decline membership in the plan.

Employees are required to contribute 3 ½% of earnings (base pay plus longevity pay).

Under this plan, employees may retire at age 62 with ten years of service or at age 55 with 20 years of service. Retirement before age 62 requires a reduction in the benefit amount.

Deferred Retirement Option Plan (DROP)

The DROP is a supplemental benefit program available for Police Officers and Fire Fighters who are eligible to retire, but who agree to defer their retirement and continue to work and receive active employee wages. Individuals who enroll in the DROP can designate the amount of time they wish to continue working, up to a maximum number of years.

While the individual participates in the DROP, a percentage of his/her monthly retirement pension is credited to an interest-bearing account in the member's name. The longer the participant's DROP period, the higher the percentage used to calculate the DROP benefit. The account is paid to the employee when the employee eventually retires. The employee also receives whatever benefit he/she has acquired under the normal defined benefit plan based on earlier years of service.

Currently the Police Pension Technician in Finance is tracking the DROP program in MS Access. After a Police Officer or a Fire Fighter has worked for the City for 20 years, they can enroll into the DROP program. They receive their regular pay in addition to contribution made by the City into the DROP program. The Police Pension Technician receives the following reports from Payroll:

- Deduction Register for Fire (The report shows active and eligible employees)

- Deduction Register for Police (The report shows active and eligible employees)
- YTD Pension Contributions – Police
- YTD Pension Contributions - Fire

The YTD reports show YTD pension wages, pre-tax contribution by employee, city contribution, percentage and the hire date.

When the Technician receives the first 2 reports, she manually takes the information and re-keys everything into the Access database in order to update all the records.

The following reports are generated by the DROP database:

“DROP Totals”. In this report, it has five columns in the following order:

- Member Name
- Date of DROP
- Retire Date
- Payment Amount
- DROP Balance

“Annual DROP Statement”. This report is prepared for each individual member. On the left hand side, the report shows:

- Name of individual
- Drop anniversary date
- Member status
- Percentage

On the right hand side, it provides the following information:

- Last year balance
- Annual payments
- Miscellaneous payments
- City’s contributions
- Total of Opening Balance, Contributions and Payments
- Withdrawals
- Interest earned
- DROP account total

“Police Month End Report”. This report shows the following columns:

- Payment Date
- Description
- Payment Amount

The only employees who are eligible for DROP are those hired prior to 1/83.

CONSTRAINTS

1. The City does not have an electronic system in place to administer benefits, other than entering deduction codes and amounts to be taken from the employees pay.
2. All benefits enrollment and changes are done through manual paper processes.
3. There is a lack of checks and balances of data between HR, Benefits, and Payroll.
4. Benefit differentials are determined per classification, therefore, it is difficult to monitor when changes occur.
5. Currently, it is difficult to monitor employees out on long-term absences (i.e., FMLA, Military, etc.). Most of the time, HR - Benefits does not know when an employee has left for military leave. HR - Benefits will notice that the employee wasn't paid and that will trigger an action. The timekeepers are supposed to notify HR - Benefits when they know an employee has left.
6. It is difficult to create census data in the current HR system. Currently, the HR Department is using RocketShuttle to extract data to Excel.
7. The current system lacks reporting capability.
8. It is difficult to keep track of inactive employees (i.e., COBRA, Retirees). Information received from the 3rd Party Administrator is entered into an Excel spreadsheet with employee and coverage information. This spreadsheet is used to notify appropriate benefit carriers.
9. The City is currently tracking DROP on a manual basis as there is no link between the Payment System and the Pension Access database. Information has to be entered in both systems.

PROCESS IMPROVEMENTS

The City may want to consider scanning documentation of changes in dependent status (such as marriage license, birth certificate, divorce decree, etc.) and attach to the benefit records.

The City should move forward with a web-based employee self service, which will provide employees with the means to modify, correct and otherwise update their benefit package and insurance information via the Internet. Authorized users will be able to access up-to-the-minute information that is fully integrated with the HR System. In addition to updating benefit package and insurance, the City may want to expand self service to:

- Add a new dependant.
- View and update address and emergency contact information.
- Instruct Payroll to transmit employee's paycheck directly to the bank utilizing direct deposit.
- Modify pre-tax deductions.

- View and update both federal and state tax-filing status.
- Change the number of dependents.
- View check stub information for user defined past pay periods.
- View the status of current position, title, history, grade, pay rate, etc.

The City should move from an all manual paper system to a true Human Resources Information Management system. This will allow the City to define table driven rules that will eliminate most coverage and premium errors. Also, the new system will allow the City to automate enrollment, payroll deductions, plan updates and regulatory reporting processes.

The new system should provide the ability to create standard and customized reports on individual employee benefits and create benefit statements.

The City should establish a method to transmit data to and from the benefit vendors for electronic billings/payments.

NEEDS/REQUIREMENTS

1. The system should provide the ability to establish multiple benefit plans that are rule based to determine an employee's eligibility. System should track the following information:
 - Type of benefit
 - Plan provider
 - Type and level of coverage
 - Benefits begin date
 - Health insurance
 - Life insurance option
 - Flexible spending accounts
 - Long-term disability
 - Dental
 - Vision
 - Short term disability
 - Eligibility dates
 - Employee contributions
 - Dollar amount of coverage
 - Relationship to employee (if dependent)
 - Date of birth
 - SSN

2. The system should track beneficiary information such as name, SSN, date of birth, relationship to employee, contact information, etc.
3. The system should properly calculate and generate payments to benefit vendors, based on eligibility and vendor information.
4. The system should track and collect benefits payments from employees on leave.
5. The system should calculate the monthly premium for life and disability insurance based on age, coverage amount, salary and waiting period.
6. The new system should have the ability to store the history of employee benefit deductions.
7. The system should provide a web-based employee self service that provides the means to modify, correct and otherwise update their benefit package and insurance information via the Internet.
8. The system should track different date fields that drive benefit rules (i.e., hire date, rehire date, birth date, retirement date, termination date, seniority date.)
9. The system must integrate with other business applications.
10. The system should produce both printed and online annual employee benefit and total compensation statements.
11. The system should have the ability to generate an employee letter or email confirming completion of the enrollment process and summarizing benefits elected and optional benefits taken or declined.
12. The system should provide a report that lists covered dependents who have reached the maximum age of eligibility.
13. The system should be able to update an employee's salary-based coverage when employee has had either a salary increase or decrease.
14. The system should provide the ability to update employee's coverage and cost that is based on age and/or years of service.
15. The system should produce premium and census reports.
16. The system should automatically terminate employee insurance coverage and benefits.
17. The system should enforce table-driven limits.
18. The system should have the ability to track vesting and breaks in service.
19. The system should have the ability to simultaneously support coverage for current

plan year and be able to work with open enrollment for the next plan year.

20. The new system should allow users to change individual elections during the plan year based on qualifying event or status change.
21. Users should be able to track outstanding enrollment forms.
22. The system should provide the ability to support COBRA administration.
23. The system should allow users to track retirees and COBRA participants' benefits.
24. The new system should have the ability to track Deferred Retirement Option Plans.

Individuals who attended the needs assessment session:

- Beth Wood – Finance/Payroll
- Jim Williams – Fire
- Stacey Witherell – HR
- Linda Baer – Finance
- Sue Hulsey – Public Works
- Lisa Cruse – IT
- Ralph Noll – IT
- Angelia McKenney – HR
- Janel Miller – HR
- Gay Spencer – Police
- Eddie Cole – Parks & Recreation
- Venita Young – Planning & Development
- LaVerne Duvall – Finance/Budget
- Jim Bradshaw – HR
- Dana Whitmore – Solid Waste

P. TRAINING & EMPLOYEE DEVELOPMENT

NEEDS ASSESSMENT / REQUIREMENTS DEFINITION			
Client:	Little Rock	Functional Area:	Training and Employee
Prepared by:	Brenda Haskell	Last Update:	August 21, 2005
Person(s) Interviewed:	See Last Page	Date of Interview:	July 14, 2005
<p>CURRENT PROCESS</p> <p>The City does not have a comprehensive system in place to track training and development records. The departments or employees maintain their own records; however, the information is not transmitted to HR on a consistent basis. Some training history is being maintained on paper or in a Microsoft document stored either in the personnel file or in the instructor file. Sexual Harassment, Cardiopulmonary Resuscitation (CPR), Leadership, Interviewing and Hiring and Specialized Police and Fire Department training. Required licenses and certifications are monitored by the department supervisor and results are maintained by the department using Word, Excel or Access.</p> <p>The Police Department has developed procedures to track training and personnel records either in paper form or in Excel.</p> <p>Internal and External Training Classes</p> <p>There is City-wide training as well as departmental training, but the majority of the training is received externally.</p> <p>Currently, the employees are notified of internal training schedules via email. Department Managers are asked to post training notices or arrange training for those employees who do not have access to email. Depending on the individual department, employees can request permission from the supervisor to attend a particular internal training class. On occasion, the supervisor may mandate employees to attend a class.</p> <p>Departments are responsible for approving and paying for external training. External training completion documents and conference/workshop attendance documents are seldom submitted to HR for inclusion in the personnel file.</p> <p>Tuition Reimbursements</p> <p>The City has a Tuition Reimbursement Program which requires the employee to stay with the City for at least two more years after completion of the class without a penalty. This is tracked manually by each department and is not communicated to HR.</p>			

PROCESS IMPROVEMENTS

The City should centralize employees' training and development records in HR. If training history needs to be re-established in the new system, the City may want to consider going through AP records to determine what the City has paid for in the past, or notify employees to provide applicable past training records.

A new system will allow for the employee and his/her supervisor to jointly develop employee goals.

NEEDS/REQUIREMENTS

1. Users should be able to track all required and optional training, licenses, certifications etc., per employee, by the topic and department.
2. The system should provide the ability to track employee skills.
3. The new system should track ongoing history records of all training/licensing related activity by department.
4. Users should be able to track the last activity date and next required action date per employee and per training and licensing requirement.
5. The new system should provide automated notices of internal scheduled training courses.
6. The system should have the ability to track multiple types of tests, both pass/fail and scored for employees.
7. The system should maintain recommended course and curriculum by position and/or employee.
8. Users should be able to track City-delivered, vendor and department training all in one system.
9. The new system should have the ability to provide electronic registration with automated confirmation and wait list confirmation.
10. The system must provide electronic training approval routing based on user defined routing paths.
11. The system must provide a report of all training taken by one employee.
12. The system should provide automated reminder that certifications, contracts and licenses, etc. are about to expire.
13. The system should provide the ability to review current training and certifications of employees and recommendation of employee training plans that relate to their

specific position or job function.

14. The system should have the ability to maintain course development data, including:

- Course Title.
- Course ID number/code number.
- Course description.
- Course learning objective.
- Course duration.
- Course prerequisite.
- Facility requirements.
- Equipment requirements.
- List of available and/or certified instructors.
- Course costs.

15. Users should have the ability to record an education plan for the employee.

16. The system should track employees who have completed a class, no shows, cancellations, etc.

17. The system must provide for employee self service to review individual training and licensing information on file, as defined by the users.

18. The system should interface with position requirements and match them to employee profiles.

19. The system should generate reports for individuals, departments, and divisions showing individual training history for employees and user defined group statistics.

20. The system should have the ability to notify supervisors when training is expected.

21. The new system should have the ability to notify supervisor when employee completes the training; automatically send a follow up form to the supervisor 90 days after completion of designated training to assess the impact of the training on performance.

22. If the training requires certification by another agency (IAFC, NFPA, DOD, CESPP, EMS, DOJ, PHTLS, ACLS, American Heart Association, FAA, OSHA, NIOSH, FBI, ATF, etc.), a link between the software and the curriculum of these agency would be helpful. If not, the system should at least allow the attachment of the curriculum (as a scanned file) to the employee training record.

23. The system should provide the ability to define a training schedule based upon the employee's growth path.

24. The system should allow employees to evaluate the course, the instructor and provide constructive comments for improvement.

25. The system should allow users to track the history of performance by class (the

percentage passed/failed) and instructor.

26. The system should allow the City to develop a training calendar 6-12 months in advance that would be online for review and registration.
27. HR or department heads should have the ability to schedule employees to training sessions either in the HR module or through the use of Outlook.
28. The system should have the ability to print certificates for those employees who are in (or who successfully completed) the course.

Individuals who attended the needs assessment session:

- Anthony Bell – Fleet Services
- Venita Young – Planning & Development
- Teresa Wallace – Fleet Services
- Sara Lenehan – Finance
- Curt Dawson - HR
- J. T. Cantrell – Fire
- Lisa Cruse – IT
- Keith Nicholas – Police
- Marty Garrison – Police

Q. POSITION CONTROL

NEEDS ASSESSMENT / REQUIREMENTS DEFINITION			
Client:	Little Rock	Functional Area:	Position Control
Prepared by:	Brenda Haskell	Last Update:	August 19,2005
Person(s) Interviewed:	See Last Page	Date of Interview:	July 13, 2005
<p>CURRENT PROCESS</p> <p>New Positions</p> <p>In order to create a new classification, the Department Director must first obtain written approval from the City Manager. The approval and a written description of anticipated duties and requirements for the new position will be forwarded to HR - Classification and Compensation. HR personnel will then develop the job description and specifications for the new position and submit the paperwork to the hiring department director for approval. Once job description has been approved, HR will evaluate the classification for the grade on an HR-2 form. The HR-2 form will be sent back to the department for final approval. Once the classification has been approved by the Department Director and HR, an HR-1 form will be submitted in order to file a request to fill the vacancy. Forms sent out to departments and returned from departments are maintained in the Classification Tracking within NIPS. Other sources used for tracking are done in Excel and Outlook.</p> <p>If the new position needs to be budgeted for next year, HR must first create the position in the system. Position control numbers are kept in an Excel spreadsheet from which the next number is assigned. Every Division is assigned its own position control number, even though the job may be the same as another position in another Division. This policy was established to accommodate different benefits for similar positions. Position control numbers are currently 5 digits.</p> <p>The Budget Office contacts HR for a position that already has a control number assigned. The Budget Officer logs into the Budget Screen in NIPS and enters the position control number, and the other fields are automatically populated. During budget season, if a budgeted position has not been created by HR, the Budget Officer has the ability to enter the position in the Budget Screen as long as the appropriate paperwork (e.g. HR-1 Form) has already been routed to HR. The Budget Officer will enter salary mid-range as the budget. If higher than mid-range, approval will need to be obtained from the City Manager. For budget purposes, the Budget Officer can also use a dummy position number (9999) to create a new position for the coming fiscal year. Once a dummy number is used, it is not updated in the Budget System until a permanent position number is assigned by HR. During the year, any additional positions that were not budgeted will be created directly by HR.</p>			

Existing Positions

The Department Director initiates a request to fill the vacancy by submitting an HR-1 form to HR. Upon approval by the City Manager, the number of authorized positions for that classification shall be adjusted to add another position. Approvals can be handled by e-mail or internal memos.

Part-time positions do not require authorization by the City Manager.

Classification System

A classification database on the current Payroll System is maintained for all positions within the City. The classification system consists of:

- Grouping of positions into classes.
- Required knowledge, skills, abilities, minimum qualifications, and licenses.
- Job description including essential and supervisory responsibilities.
- Pay grade for each class based on job evaluation factors, salary surveys, and internal equity.

Classification Review

HR will initiate a maintenance review for each position on a four year cycle. Each position will be reviewed for accuracy of job title, job description, job specifications, and grade allocation. Reviews may also be initiated by an incumbent or his department director. Maintenance review lists are also maintained in an Excel spreadsheet. Additional spreadsheets are also used for tracking certifications and licenses.

Budget Process

During budget season, the Budget Officer will instruct the IT Department to download information from NIPS to the Budget System. This process will run overnight. The first download usually takes place in June and is intended to give the Budget Officer and the departments an opportunity to review the accuracy of all the positions. The departments will notify HR of any adjustments. HR will then make corrections in NIPS.

Data from the second download should reflect these adjustments. The Budget Officer will now have a snap shot of the 2nd download to prepare the budget. Part time, over time and differential pay are budgeted at a lump sum and not by position. This information is entered on the "Budget Lump Sum Entity" screen. Any increase to this lump sum will need to be approved by the City Manager.

Increases are manually entered into the Budget Model Group Codes Screen. The increase is determined by the Finance Director based on revenue projections for the upcoming year. Some groups have a different rate of increase due to union negotiations. If there are no union contracts, then the Budget Director will put the same percent of increase as the rest of the City. If there is an existing contract that dictates the annual increase, then this information may already be entered by HR.

Positions are budgeted for the entire year even though the position may not be filled until mid-year. The Finance Director prepares a Bi-Weekly Financial Report by Department which compares budgeted position(s) and amount to actual payroll expenses. The departments do not get to keep the amount of the positive variance from vacant positions as it is moved to an available fund balance account. This practice only occurs for departments in the General Fund.

The Budget Officer is able to run a "Budget Model Employee Detail" report to see the effect of the increase. This report can only be run for union employees.

Once all the departments have had a chance to review their personnel budget, the Budget Officer will roll all the personnel information into the main budget.

CONSTRAINTS

1. The following elements cannot be the same for an assigned position, even if all other elements of the position are the same. These elements should be tied to the person, and not the position, so that a new position does not have to be created every time this element is unique.
 - a. Sub-union.
 - b. Funding source.
2. If a position has 4 approved FTE's, and one FTE is put on hold, the system will still reflect 4 FTE's with an explanation in the "comment" field. This is deceiving because the Vacancy Report does not show the comment and will still reflect a budget of 4 FTE's. HR is reluctant to change the approved number of positions to 3, because once a position is deleted, the system loses all the history.
3. Departments are not reviewing their personnel models to determine which positions were actually accepted for the upcoming year. Often times, they are not aware that a position has been deleted until later in the year.
4. The City does not have automatic approval processing for job requisitions. A courier is sometimes hired to deliver and pick up the approval requests to/from the City Manager's office.
5. There is no link between the Budget System and the HR System.
6. Currently, HR does not have the ability to update the master fringe tables. When the table has to be updated for a position, HR has to send the request to the Budget Officer, who then forwards to the Finance Director or Payroll. Payroll personnel will perform the update, but HR has to re-enter the same information in their system once the change has been approved.
7. The current system does not have the ability to perform mass changes for the annual salary increase. The Budget Officer has to enter this information by Budget Model Group Codes.
8. HR currently relies on the departments to turn in their proper documentation for

approved positions, even though the departments do not always do so on a timely basis.

9. The current system does not allow a user to retrieve a position that is not included in the budget. Sometimes there may be a need to inquire on an inactive position.

PROCESS IMPROVEMENTS

Under the new system, the City should implement workflow tools for the approval processes and movement of documents.

The City should ensure that the Position Control module (mostly within the HR system) interfaces with Budget. Information that needs to be in both systems includes salary, classification, grade, etc.).

Under a new system, the integration between position control maintenance, job requisitions, and applicant tracking will eliminate the need for multiple databases. Standardization of data and some processes will also improve consistency and accuracy in reporting.

The City should ensure that there is separation of duty between the Payroll and HR departments. Any employee who has access to processing payroll should not have the ability to update employee master tables.

NEEDS/REQUIREMENTS

1. The system should have the ability to eliminate the need for separate databases and manual record keeping.
2. The system should provide budget capabilities, identify and maintain information related to positions, including, but not limited to:
 - Date created
 - Budgeted/un-budgeted status
 - Job classification
 - Position title
 - Funding source
 - Employee group
 - Organizational codes (such as Department, Division, etc.)
 - Location
 - Budgeted beginning/end dates
 - Expiration date
 - Position review dates
 - Position description

- Position status
 - Number of hours per position
 - Number of employees in same position
 - Pay schedule and step
 - Job skills
 - Training requirements
 - Grade Level
3. The system should have the ability to allow departments to requisition and approve on-line new positions and the maintenance of position requisitions.
 4. The user should have the ability to accommodate employees in multiple positions.
 5. The user should have ability to reserve a position that is not currently filled.
 6. The new system should have the ability to reclassify positions.
 7. The system should have the ability to use an alternative “fast track” approach to employee processing.
 8. The new system should allow users to establish time limited positions.
 9. The system should allow users to compare expected staffing to current staffing at different reporting levels.
 10. The system should have the ability to estimate budget positions in different ways (e.g. by dollar amount, by FTE, by period, etc.).
 11. The system should have the ability to associate the cost (including fringes) of a position to the position control number, instead of having to enter this information manually.
 12. The system should have the ability to select the number of authorized positions by organizational unit and classification.
 13. The system should have the ability to provide online job descriptions including job duties, educational and skills requirements, experience requirements, credentialing/licenses/permit, etc.
 14. The system should have the ability for employees to be assigned to and paid from multiple positions in different funds, organizational units, classes, etc.
 15. The new system should maintain position history for each employee
 16. The system should track open and filled positions.

17. Users should have the ability to update incumbent information when a position changes.
18. The new system should have the ability to designate positions as being on hold.
19. The system should have the ability to maintain and report required licenses and certificates for positions.
20. The system should have the ability to reconcile the Human Resource System with the Budget System.
21. The system should identify jobs that are subject to random drug testing.
22. The system should have the ability to provide the ability to forecast payroll costs over various "what if" scenarios by applying percentage changes in earnings and payroll factors.

Individuals who attended the needs assessment session:

- Gay Spencer – Police
- Ellen Hughes – HR
- LaVerne DuVall – Finance/Budget
- Don Wells - Police
- Gloria Smith – HR
- Jim Williams – Fire
- Ralph Noll – IT
- Lisa Cruse – IT
- Teresa Wallace – Fleet Services
- Rhonda Crabb – HR

R. PAYROLL

NEEDS ASSESSMENT / REQUIREMENTS DEFINITION			
Client:	Little Rock	Functional Area:	Payroll
Prepared by:	Brenda Haskell	Last Update:	August 21, 2005
Person(s) Interviewed:	See Last Page	Date of Interview:	July 12 2005
<p>CURRENT PROCESS</p> <p>Time Records</p> <p>The City's work period is Saturday through Friday and employees are paid on a bi-weekly basis. Checks are distributed on Fridays for the two-week pay period ended the previous Friday.</p> <p>Timesheets are entered on the Timesheet Entry Screen from the General Update menu in NIPS. The screen has Saturday through Friday dates, a Code column (vacation, sick, personal time off) etc., Hours: Minutes column and Amount column (special pays that are in dollars not hours). Since it is a pre-dated screen, the system does not provide warning for invalid dates. However, the system will prevent entry of an invalid pay code if the employee is not authorized for that pay code. All part-time hours, including Summer Programs (385 employees) are manually entered. Rotating shift employees are also manually entered.</p> <p>In the Fire Department, each Battalion Chief is assigned a district with different stations. Every morning, the Battalion Chiefs take their own roster, make the appropriate marks on it, and then calls it in to the Battalion Chief at Central Fire Station, who consolidates all the rosters before forwarding to Captain Williams. Captain Williams gives the consolidated roster to the timekeeper for data entry into NIPS. They Battalion Chiefs also fill out an overtime sheet to ensure all the overtime hours are entered into the system.</p> <p>Designated timekeepers from each department enter exception time on the day it is taken. All exception time must be entered into the system by 5:00 PM on the Monday that payroll is processed.</p> <p>Payroll Processing</p> <p>Payroll is processed every other Monday for an average of 2,000 checks and electronic transfers. A payroll report showing the actual hours to be paid to the employees is generated on Tuesdays and distributed to Department Managers to review for accuracy. This report is sorted by department.</p> <p>Balancing procedures are performed during the payroll run. If the totals do not agree, the payroll run is halted. If there are any corrections, edits or additions that need to be made for the pay period, the Payroll Department will input the additional information and run the</p>			

payroll that evening. Depending on when Department Managers provide the Payroll Office with the correction information, several manual runs may be required during the week. Overpayments are considered a manual adjustment. The check/advice is voided and the correction is made. If the entire payroll has to be voided, Payroll will call the IT Department to perform a back-up to restore all the information entered prior to the payroll run. Corrections are then made before payroll starts up again.

The bank file and positive pay files are submitted to the bank on Wednesday before 5.00 PM. The City uploads the positive pay file through the metronet (Metropolitan Bank) internet address. It provides information about the check number, social security number, name and amount. Credit unions are entered in an EFT screen that includes fields for social security number, account number, type of account (savings or checking), bank routing number, and amount to deposit.

Payroll checks are printed by Pay Base, a third party application, and sorted by department. They are released to the authorized person from the department after he/she enters his signature on a sign out sheet.

Pension payments to Police and Fire retirees are processed through the Payroll System; however, the transactions are not interfaced to the Financial System. Pension payroll is a dual system; i.e. entries made on the City's system must be duplicated on the system at the bank where checks are produced and printed.

Reporting

The current system provides the following reports:

- Deduction Register Summary.
- Report on all Manual Checks generated.
- Deduction Register.
- Online W-2's (1099's are maintained by Purchasing).
- Payroll Check Register.
- Payroll Journal - by Employee.
- Daily Payroll Transactions Report.
- EFT Register.
- Salary Detail - by department (this is part of the General Ledger Register).
- Regular Pay Run Report.
- Deferred Compensation Register.
- Tax Reporting - 941's (this is run through a "report scheduler" query type and a Quarterly Report Register).
- Fringe Register.
- W-2 Audit Report.
- Child Support Report.
- Leave Accrual Report.

The interface between the Payroll System and the General Ledger requires several vsam files that are programmatically loaded into AMS. These files are created from the check detail created from the payroll run. The numbers are validated and the payroll run will not continue if the General Ledger is out of balance with the check records. In addition, the

Payroll Department has to manually write a query to make sure that all the journal vouchers and payment vouchers match the General Ledger.

Overtime and Compensatory (comp) Time

The City complies with rules governing overtime and comp time as established by the Fair Labor Standards Act (FLSA). Employees are grouped into the following categories to designate eligibility for overtime and comp time for hours worked in excess of the time limits specified by FLSA.

- **Exempt from FLSA coverage** – Employees in this category are exempt from FLSA coverage and are not eligible for overtime or comp time.
- **Non-exempt from FLSA coverage** – Police Uniform, Union Eligible employees will be paid time and one-half for all authorized time worked in excess of 40 hours in the work week (not including sick time). The employee is to provide written notification whether they would like their overtime to be paid in dollars or comp time. Comp time may be accrued to a maximum of 120 hours, after which time, management has the option of paying overtime in dollars rather than comp time. Upon termination of employment, all accrued comp time will be paid at the employee's final regular rate of pay.
- **Fire Uniform, Union Eligible (56 hour only)** – For all hours worked in excess of 204 hours, but less than 217 hours (205-216 hours), the following formula will be used to compute the overtime pay rate:

$$\frac{\text{Annual Base Pay} + \text{Holiday Premium Pay} + \text{Holiday Pay} + \text{Longevity Pay} + \text{EMT Pay}}{2758} \times \frac{1}{2} = \text{OT}$$

For all hours worked in excess of 216 hours, the following formula will be used to compute the overtime pay rate:

$$\frac{\text{Annual Base Pay} + \text{Holiday Premium Pay} + \text{Holiday Pay} + \text{Longevity Pay} + \text{EMT Pay}}{2758} \times 1\frac{1}{2} = \text{OT}$$

Overtime for Firefighters will be paid on the next pay date following the end of the 27-day overtime cycle. Upon termination of employment, all unused comp time accrued will be paid at the employee's final regular rate of pay.

- **Fire Uniform, Union Eligible** (40 hour only) – Employees will be paid time and one-half for all authorized time worked in excess of the 40 hour work week or may accrue comp time up to a maximum of 100 hours. Once 100 hours of comp time have been accrued, the Fire Chief has the option of paying overtime dollars rather than comp time for overtime worked in excess of 40 hours in a work week. Upon termination of employment, any unused comp time will be paid at the employee's final regular rate of pay.
- **Non-Uniform, Union Eligible** – Employees will be paid or will receive comp time at the rate of time and one-half for all authorized time worked in excess of the 40 hour work week (not including sick time). If the employee has not worked a full 40-hour work week, then overtime or comp time will be offset. Comp time may be accrued up to 240 hours. Any time in excess of 240 hours must be paid in dollars. Upon termination of employment, all unused comp time accrued will be paid at the employee's final regular rate of pay.
- **Non-Uniform, Non-Union** – Employees will be paid or receive comp time at the rate of time and one-half for all authorized time worked in excess of the 40 hour work week (not including leave time). Comp time may be accrued up to 240 hours. Any time in excess of 240 hours must be paid in dollars. Upon termination of employment, any unused comp time will be paid at the employee's final regular rate of pay.

Longevity Pay

The City provides longevity pay to recognize the continued service of regular, full-time employees for staying on the City's workforce. The longer an employee has been with the City, the higher the longevity pay. The inception date used to compute longevity pay will not change unless there is a break in service for the employee regardless of the number of transfers between City departments, including movement from uniform to non-uniform positions and vice-versa. If there is a break in service, the date used to compute longevity pay will be the date of rehire; service prior to the break regardless of the reason will not be considered nor reinstated. Service in a part-time or temporary position will not be considered for purposes of computing longevity pay.

If a change in status occurs (i.e., uniform Fire or Police department employee moves to non-uniform, non-union eligible positions, etc.), longevity will be paid in the following manner:

- If the change in status occurs on or before the 15th of the month, longevity pay for the month in which the change occurred and all subsequent months will be paid at the rate of the employee's current status, not to exceed the maximum rate per month of the current status. The months prior to the month in which the change took place will be paid according to the formula applicable to his previous status, and will not exceed the maximum rate per month of the previous status.
- If the change in status occurred after the 15th of the month, longevity pay for the month in which the change occurred and all months prior to the change will be paid at the rate of the old status and will not exceed the maximum rate per month

of the old status. The months following the month in which the change in status took place will then be paid according to the formula applicable to the current status, and will not exceed the maximum rate per month of the current status.

Longevity pay is calculated as follows:

- **Non-Uniform Non-Union Eligible Employees** – Longevity pay will be paid at the rate of \$4 per month for each year of service up to and including the 5th year and \$6 per month for each year of service from 6 to 25 years.

Anniversary dates will determine the accrual amount for each month. An employee whose anniversary date falls after the 15th of the month will not receive a longevity pay increase for the additional year of service during his anniversary month, but will receive this adjustment for all subsequent months.

Longevity checks shall be distributed to employees in June and November.

- **Non-Uniform Union Eligible Employees** – Longevity pay will be paid at the rate of \$3 per month for each year of service up to and including the 5th year and \$6 per month for each year of service from 6 to 25 years.

Anniversary dates will determine the accrual amount for each month. An employee whose anniversary date fall after the 15th day of the month will not receive a longevity pay increase for the additional year of service during his anniversary month, but will receive the credit for the subsequent months.

- **Uniform Fire Department Employees** – Employees receive a longevity bonus for each year up to and including 30 years amounting to \$5 per month for each year of service. Payments are made in June and in the last non-payroll week of November.
- **Uniform Police Department Employees** – Longevity is paid at the rate of \$5 per month for each year of service up to and including the 15th year and \$6 per month for each year of service from the 16th year through the completed 25th year. Payments are made in June (issued towards the end of May) and November.

Other Pay Issues – Non-Uniform Employees

Special pay situations shall be governed by the following policies:

- **Standby Pay** – Employees required to stand by for work shall be compensated at their regular rate of pay not to exceed a maximum of 16 hours per week. Standby pay shall be based on the following schedule:
 - ✓ Maximum of 2 hours for each 8 hours on standby not to exceed 2 hours per normal working day (Monday through Friday).
 - ✓ Maximum of 1 hour for each 8 hours per normal weekend day (Saturday and Sunday) or designated City holidays.

- **Callback Pay** – Employees called to work for an unscheduled period of time shall receive the greater of 3 hours pay or the number of hours actually worked (at the regular rate). The above shall not apply to an employee who is called to work an unscheduled shift. As applicable, this shall be considered overtime and compensated at time and one-half for each hour actually worked.

The combination of standby and callback pay may not exceed 8 hours on a given day unless the actual hours worked exceeds 8.

- **Alternate Rate** – A regular full-time employee assigned to work in a position with a higher rate of pay for a period of time which exceeds 5 consecutive work days shall receive an alternate rate of pay if the following conditions are met:
 - ✓ Employee performs the majority of duties related to the higher classification; and
 - ✓ Employee is held accountable for his performance in the same manner as a newly hired or promoted employee in the higher classification.

Alternate rate status shall not exceed 30 consecutive calendar days without written approval by the City Manager. Continuation of the alternate rate assignment for each subsequent 30 calendar day period requires additional written approval by the City Manager.

An employee's anniversary date shall not change as a result of an alternate rate assignment.

- ✓ Amount of Alternate Rate Salary Adjustment – While in alternate rate status in an overtime eligible position, any time worked in excess of the 40 hour regularly scheduled work week shall be paid at time and one-half the alternate rate amount.
- ✓ Non-Uniform Union Eligible Employees – An employee placed in an alternate rate status after three consecutive days shall receive a 5 percent salary adjustment for the duration of the alternate rate assignment retroactive to the first work day.

Non-uniform union eligible employees assigned to work in a non-uniform, non-union position shall receive an alternate rate as outlined in the non-uniformed non-union section.

- ✓ Non-Uniform Non-Union Eligible Employees – An employee placed in alternate rate status shall receive:

A 5 percent salary adjustment for the initial 30 calendar day period in alternate rate status.

Beginning with the 31st consecutive calendar day in alternate rate

status, the employee shall receive the greater of an additional 5 percent salary adjustment, or the minimum of the salary range of the higher classification. This adjustment shall be effective for the duration of the alternate rate assignment.

- ✓ Department Director(s) – An employee placed in alternate rate status shall follow the same rule as for other Non-Uniform, Non-Union Eligible Employees. In cases of vacancies, the amount of alternate rate payable to the employee shall be determined by the City Manager.
- **Holiday Pay** – Non-supervisory employees who are required to work on a designated holiday shall be compensated at the rate of time and one-half their regular rate of pay in addition to being paid holiday pay for the number of hours regularly worked on that day. They also have the option of receiving the additional hours as comp time at the rate of time and one-half.

Employees of the Communications Division shall be compensated at the rate of two times the regular pay rate for working on a holiday in addition to the 8 hours holiday pay. An employee who is scheduled to report for work on a holiday shall be assigned to at least 4 hours at the rate of time and one-half in addition to the holiday pay. If the employee is excused from duty before completing 4 hours of work, they are entitled to be paid for 4 hours at time and one-half in addition to holiday pay.

Supervisory employees who are scheduled to work on a holiday shall be given another day off in addition to other compensation.

Employees who are absent for unauthorized reasons or who are not in pay status on the scheduled work shift immediately preceding and/or following a holiday shall be denied holiday pay for that holiday.

- **Differential Pay** – Shift differential shall be in addition to the employee's regular rate of pay and shall be included in all payroll calculations, but shall not apply during periods of paid leave. Payment of shift differential will only be received for hours actually worked on the applicable shift.
 - ✓ Non-Uniform Non-Union Eligible Employees and Non-Uniform Union Eligible Employees– Employees who are assigned to the evening shift (shift beginning no earlier than 1:00PM) shall be compensated an additional \$0.32 per hour. Employees who are assigned to the night shift (shift beginning no earlier than 11:00PM) shall be compensated an additional \$0.52 per hour.
 - ✓ Location differential pay of \$0.75 per hour will be paid to all technicians for each hour worked while assigned to the Landfill shop location.
- **Inclement Differential Pay** – All non-uniform employees who must report to work during emergency conditions resulting in the closure of City Hall for the

entire business day shall be compensated with an additional \$0.52 per hour for every hour worked.

- **Fleet Certification Incentive Pay** – All full-time Fleet Service employees who have successfully completed the probationary period are eligible for incentive pay. Certification Incentive Pay is provided to employees who meet the criteria of this program as defined by the Fleet Services Department in obtaining industry certifications that cover the employee's current job functions.

Other Pay Issues – Uniform Police Department Employees

Special pay situations shall be governed by the following policies:

- **Holiday Premium Pay** – Holiday premium pay shall be equivalent to 7 days pay. The daily rate of pay shall be computed by dividing the base pay, including holiday pay, by 260. The payment will be divided into 2 equal payments made in June and December.
- **Differential Pay** – A shift differential of \$0.10 per hour will be paid for all hours worked by an employee when a majority of the employee's regularly scheduled shift hours occur after 3:00PM and before 11:00PM. A shift differential of \$0.20 per hour will be paid for all hours worked by an employee when a majority of the employee's regularly scheduled shift hours occur after 11:00PM and before 7:00AM. This policy went into effect as of December 15, 2001. Shift premiums will be paid for hours worked during the shift except or work performed as overtime work or work performed earlier than an employee's normal shift. Shift premiums will not be paid for any paid time off.
- **Educational Incentive Pay (EIP)** – The following schedule of the EIP is for those employees who were qualified to participate in the plan as of December 31, 1990, and formally elected to be compensated as described:

Schedule 1:

CERTIFICATE LEVELS	COLLEGE CREDITS	ADDITIONAL CREDITS	\$ PER MONTH
Basic	0	0	\$ 0
General	0	1 yr + 3 hours related studies (exc. English)	\$ 20
Intermediate	6 hrs + (Eng)	6 hrs related studies	\$ 50
Advanced	15 hours	0	\$ 75
Senior	45 hours		\$100

Related studies shall be determined by the Chief of Police. Predetermination of job related courses may be requested prior to enrollment.

Schedule 1 shall be frozen and no advancement through certification levels will be allowed after December 31, 1990.

Schedule 2:

The following schedule is for all employees covered by the Fraternal Order of Police Statement of Agreement:

COLLEGE HOURS	# OF YRS WITH DEPT	\$ PER MONTH
Less than 15	Less than 2 years	\$ 0
15 – 30 hours	2 years	\$ 20
31 – 63 hours	3 years	\$ 50
Assoc Degree or 64 – 123 hours	3 years	\$ 75
Bachelor's Degree or 124 + hours	4 years	\$100
Graduate Degree	10 years	\$125

Eligibility for EIP payments requires the officer to furnish to the HR Department, through the Chief of Police, the necessary Minimum Standards Certification and/or documentation proving the satisfactory completion of accredited college hours.

Application for EIP payments must be submitted by the 10th of the month to be counted for eligibility. Payments shall be made in June and December.

- **Field Training Officer (FTO) Pay** – Paid at the rate of 1 hour per shift. FTO's will only receive the additional pay for time actually spent training probationary Police Officers.

Other Pay Issues – Uniform Fire Department Employees

Special pay situations shall be governed by the following policies:

- **Holiday Premium Pay** – Employees shall be paid holiday premium pay equivalent to 8 days pay. The daily rate of pay shall be computed by dividing the base pay, including holiday pay, by 260. The payment will be divided into 2 equal portions made in June and November.
- **Callback Pay** – Employees on 56 hour work weeks who are called back to Fire Department duty from off-duty status shall be paid a minimum of 3 hours or the actual time worked, whichever is greater, at time and one-half.

Employees on 40 hour work weeks who are called back to work from off-duty status shall receive a minimum of 4 hours or the actual time worked, whichever is greater at time and one-half in comp time.

- **Alternate Rate** – Any employee required to accept the responsibilities and carry out duties of a rank above that which he normally holds shall be paid at the rate for that rank while so acting. When an employee works out of classification for 8 hours or more during a tour of duty, the employee shall receive compensation for that full tour of duty.
- **Detail Compensation** – Employees are detailed to work at a station other than the station to which they are assigned, provide their own transportation, and participate in the meal at the other station will be compensated at a rate of \$10 per detail. Longer term assignments exceeding 10 tours of duty on any one assignment shall not be eligible for detail pay after the 10th hour.
- **EMT Compensation** – Employees certified as Emergency Medical Technicians shall receive EMT compensation of \$100 per month. Payments shall be made on a pro-rated basis of pay periods per year. Proof of current certification will be maintained by the Fire Department.
- **Privilege Pay** – Privilege pay is made to employees in the classification of Battalion Chief who work an additional 24 hour work shift beyond their regularly scheduled work hours.

The Chief of the Fire Department shall maintain a current list of all employees who are eligible for such assignments and privilege pay. Full or partial assignments shall be made at the discretion of the Fire Chief.

When an employee has completed the additional 24 hour work shift, employee shall receive an amount equal to \$664.70. The pay code for privilege pay with the dollar amount of the privilege pay shall be entered into the Payroll System by the timekeeper for the Fire Department upon receipt of written notification from the Fire Chief. Hard-copy records of privilege pay will be maintained in the Fire Department.

Cost of Living Increases

Cost of living adjustments are provided yearly to union and non-uniform employees. For non-union, non-uniform increase, the HR Department will run a report from the Payroll System to update employees' rate of pay based on certain criteria that the employee must meet in order to receive the increase. Increases may be based either on percentages or a flat dollar amount. Uniform salary increases for Police and Fire Department employees are determined by the pay progression date. When union contracts change, then tables are updated.

Types of Deductions

- Withholding Deductions – Federal, State, and FICA, Medicare.
- Section 125 Deductions.

- Garnishments – Tax Levies, Child Support, Bankruptcy, Student Loans, etc.
- Union Dues.
- Voluntary Deductions - The Payroll Department allows employees to elect voluntary deductions for Life Insurance, AD&D, LTD, and Pension. The employee indicates the effective date and amount of withholding to be taken from their pay. HR - Benefits sets up deductions for Medical, Dental, Optical, Additional Life Insurance, AD&D, Cancer, and Flexible Spending Accounts in the system. Most enrollment forms are scanned into the On-base document scanner and then shredded. Original forms for medical and dental are sent to the appropriate carriers. An electronic file is sent monthly to the vision carrier. Other types of deductions may include charitable contributions and professional dues.

CONSTRAINTS

1. The Payroll System tracks garnishments on a manual basis and there is no warning when the legal limit is reached.
2. No edit reports are generated during the payroll process.
3. No reports are generated to make sure gross minus deductions equal net and FICA, Medicare and taxable wages are calculated correctly. The City uses Excel to support balancing.
4. Attendance is currently maintained in Excel spreadsheets.
5. The current system is designed for an 8 to 5, 40-hour work week and does not accommodate other work schedules.
6. The system does not allow the entry of future dated time records.
7. The collection of timesheets in some departments can be quite daunting. For instance, the Battalion Chief has to collect his own roster, which gets consolidated by the Battalion Chief at the Central Fire Station. This consolidated roster is then forwarded to yet another layer of review before the timekeeper enters the information.
8. Pension payments to Police and Fire retirees are processed through the Payroll System, but not interfaced to the Financial System.
9. The system does not have a simple way to generate and print manual payroll checks for immediate payment outside the normal processing cycle.
10. The system does not allow an adjustment to impute wages without producing a payroll payment. For example, if a relocation payment or other adjustment is processed through A/P or Wire Transfer in an emergency, you are not able to update the employees W-2 and tax record in the Payroll system without producing a

"fake" payment and then marking it as cleared.

PROCESS IMPROVEMENTS

The City may want to utilize an interface that will allow authorized employees to enter their exception time directly into the database (through a web based time entry system or a time clock system). If this self-service process is adopted by the City, employee training should be conducted in order to reduce errors and to improve efficiency.

The City should review the current roles and responsibilities across the business units and determine how those duties and the business processes they entail may be improved to work more efficiently with the new ERP system.

The City should ensure that the new system will allow the tracking of garnishments and other deductions to meet all legal requirements.

The City should ensure that the new system will integrate Payroll, HR, General Ledger and Grants/Activities modules. Pension payments need to be reflected in the General Ledger through automatic interface.

Payroll personnel should review payroll edit reports (not available in the current system) before finalizing the pay run.

NEEDS/REQUIREMENTS

1. The system should have the ability to generate and print manual payroll checks for immediate payment outside the normal processing cycle.
2. The system should allow the ability to allow entry of deduction for an employee on a one-time basis without affecting the normal setup for deduction for that employee.
3. Users should have the ability to store and print information (plaintiff's address, employee name, SSN, date paid and amount paid) needed for answering court orders.
4. The new system should have the ability to maintain multiple employee payroll deductions, including standard deductions (state and federal) and other optional deductions (insurance, professional dues, garnishment, charitable contributions, student loans, etc.).
5. The system should allow deductions to be setup as a percentage of net pay or straight dollar amount.
6. The system should have the ability to accommodate pre-tax and after-tax deductions.
7. The system must automatically update the General Ledger each time a payroll is processed.

8. Users should be able to eliminate the processing and distribution of check stubs. The system should have the ability to post direct deposit/checks remittance advice to a secured website where employees can view and print their own information.
9. The system should have the ability to provide unlimited pay premiums per pay code such as standby pay, call back pay, alternate rate pay, differential pay, incentive pay, field training pay, privilege pay, longevity pay, etc.
10. The system should have the ability to process reimbursements from employees for overpayment and automatically adjust the proper deductions. System should generate an AR entry.
11. The system should provide exception-based pay calculation.
12. The system should store multiple rates and locations for employees.
13. The system should have the ability to support voiding of an entire payroll and re-running it if significant errors are discovered after the payroll has been run and posted.
14. The system should have the ability to designate employees as exempt or non-exempt.
15. Users should have the ability to pay inactive employees, but should provide a warning at the point of data entry and on an edit report during payroll processing.
16. The new system should provide the ability to view timesheets for previous periods and should be able to see the timesheets that correspond to a particular paycheck.
17. The system should have the ability to inquire or run reports on earnings balances based on a variety of time periods, including but not limited to pay period, monthly, quarterly, year-to-date, and employee-to-date.
18. The system should be able to interface payroll information to the General Ledger, HR, Grants/Activities and possibly AP.
19. Users should have the ability to set maximum annual amounts for each deduction.
20. Users should have the ability to indicate FICA eligibility.
21. The system should capture a deduction schedule for the purpose of withholding voluntary deductions.
22. The system should have the ability to handle multiple direct deposit distributions.
23. Users should have the ability to cancel a check by check number and have totals automatically reverse from the employee pay history, the leave system and the General Ledger.

24. The systems should provide the ability to check for duplicate and/or incorrect social security numbers.
25. The system should provide overtime pay at straight time or time and one-half for over 40 hours work weeks.
26. Users should be able to track employee paid benefits for an employee on a non-paid status.
27. The new system should provide pro-rated calculations for mid-period hires, rate changes, and terminations.
28. The system should have the ability to provide a way to distribute employer contributions to different cost centers.

Individuals who attended the needs assessment session:

- Rhonda Crabb – HR
- Jim Bradshaw – HR
- Anthony Bell – Fleet Services
- Patricia Williams - Impound
- Judy Lewis – Police
- Gay Spencer – Police
- Gloria Ruth - Police
- Sue Hulsey – Public Works
- Dana Whitmore – Solid Waste
- Joanne Dubnicka – Finance/Accounting
- Linda Baer – Finance/Payroll
- Teresa Wallace – Fleet Services
- Ronda Hatley - Fire
- Barbara Osborne – Comm. Programs
- Jim Williams – Fire
- Darian Pellicciotti - Fire
- Beth Wood – Finance/Payroll
- Lisa Cruse – IT
- Shernetta Robinson - Fire
- Debbie Helvey – Finance
- Sara Lenehan – Finance
- Peggy Harstvebo – IT
- Bobbie Forbush – Zoo
- Gloria Smith – HR

- Venita Young – Planning
- Terica Richardson – Parks & Recreation
- Kathleen Walker – HR

S. DATA CONVERSION

NEEDS ASSESSMENT / REQUIREMENTS DEFINITION			
Client:	Little Rock	Functional Area:	Data Conversion
Prepared by:	Paul Chen	Last Update:	August 17, 2005
Person (s) Interviewed:	See Last Page	Date of Interview:	July 14, 2005
<p>NEEDS/REQUIREMENTS</p> <p>Payroll</p> <ol style="list-style-type: none"> 1. Convert employee shell data, deductions and fringe for all active employees as of beginning of the fiscal year. 2. Load detail transactions occurring in the conversion. 3. Maintain access to current system for inquiry purposes for a minimum of one year. 4. Maintain access to DB2 data for historical data and reporting needs (frequent requests for garnishment and child support). 5. Quarterly subtotals for current fiscal year data. 6. Detail transactions from the beginning of the year in which the conversion occurs. <p>General Ledger</p> <ol style="list-style-type: none"> 1. Convert current year detail transactions as of the beginning of the fiscal year. 2. Minimum of one year monthly summary level data by account (Fund, Agency, Org., and Object/Revenue Source/Balance Sheet). 3. Maintain access to AMS for inquiry purposes for a minimum of one year. 4. Maintain access to DB2 data for historical data and reporting needs. <p>Fixed Asset</p> <ol style="list-style-type: none"> 1. Download data from current system into Excel for clean up, and then load clean data in new ERP system. 2. Load shell records for all assets in service per previous audit report. 3. Load detail transactions for current fiscal year (additions, transfers, retirements, 			

depreciation).

4. Load CIP and Infrastructure detail per Excel spreadsheets prepared for audit. This information is not stored in the current asset system.
5. Maintain access to the current system for minimum of one year.

Accounts Payable

1. If bid list is not an AP vendor concern, convert AP vendor shell for all vendors with activity over the last twelve months.
2. Address validation of AP vendor data including but not limited to tax ID, EFT data, and minority status.
3. Current level detail or summary level data by vendor is required in order to produce 1099's at year's end.
4. Convert open Purchase Orders. This information is likely to be input manually.

Accounts Receivable

1. Convert all master file data for all business license accounts.
2. Convert account history detail, including amount assessed and payments made.
3. Convert data with an outstanding status from the current Hot Checks System.
4. Convert Police systems that contain receipts and historical information on parking, traffic, criminal fines, false alarms, etc for a minimum of one year.
5. Convert revenue data such as liens, bankruptcy, false alarms, etc. that are currently maintained in Excel by the Treasury Office.

Human Resources

1. Convert all historical data since 1996.

Grants and Special Projects

1. Convert all open grants financial history that are stored in the Excel spreadsheet maintained by the Grants Management Office, including but not limit to award amount, expenditure, revenues, match account expenditures, drawdowns, and Purchase Orders. Grants are multi-year and must be tracked in total. The City will review and decide which open grant will be converted at the time of implementation.
2. Detail activity for current multi-year projects.

Applicant Tracking

1. Police applicant database (Sigma) – 18 months from date of implementation (approximately 1,000 records).
2. Applicant Database (ZIPPY) – 0 months.
3. FF Score Database – Three years from date of implementation (Approximately 1,200 records).
4. Position Requisition Database (HR-1) – 0 months.
5. Pre-Employment Screen Database – 0 months.

Training and Development

1. All training and development records, including licenses, certifications etc. for all current employees.

Individuals who provided data conversion information:

- Sara Lenehan – Finance
- Curt Dawson – HR
- Stacey Witherell – HR
- Claudine Forte – Finance/Grant
- Scott Massanelli – Finance/Treasury
- Rhonda Crabb - HR

IV. CONCLUSION

The needs assessment of the City's current systems has provided us with an objective view of their strengths and weaknesses. Our research has resulted in a strong recommendation for the procurement of a new ERP System.

A new ERP system will allow all major Financial, HR and operational processes to be combined into an integrated software solution with real time processing. In addition, the new system will provide the following long-term benefits:

1. Less dependency on multiple suppliers of system hardware and software.
2. More control over technological direction.
3. The reduction of cost involved with the development, implementation and re-engineering of multiple systems.
4. The ability to minimize multiple sources of information and documentation for the same functions and data.
5. Advanced flexibility and adaptability to changes in business environments.
6. No limits to data availability or accessibility, data continuity, or data timeliness.
7. A "common" look and feel among subsystems.
8. A more integrated system with communication between functions/processes.
9. Reducing the cycle for purchasing, contracts and vendor payments.
10. Improvement in the accuracy of data entry.
11. Improvement in the development of reports.
12. More effective management of the key business drivers, which include cost efficiency, quality, and cycle time.

The steps to a successful implementation involve understanding the strengths and weaknesses of the current systems and processes. A new system will provide the opportunity to rearrange, combine or eliminate current processes in order to increase efficiency. Schafer Consulting is fully prepared to assist the City with the key activities that are crucial to the success of this challenging endeavor.



